

Austria	Sch. 18	Indonesia	Rp. 2500
Bahrain	Dr. 1.62	Iraq	Dr. 20
Belgium	BF. 42	Japan	Yen 155
Canada	CA\$1.00	Jordan	Dr. 500
Cyprus	£20.25	Kuwait	Dr. 500
Denmark	Dr. 7.25	Lithuania	Dr. 8.00
Egypt	£2.00	Luxembourg	Dr. 15.42
Finland	Dr. 5.00	Morocco	Dr. 10.00
France	Fr. 17.00	Portugal	Dr. 25.00
Germany	DM 2.20	Malta	Dr. 2.50
Greece	Dr. 2.70	Monaco	Dr. 10.00
Hong Kong	HK \$12	Netherlands	Dr. 1.20
India	Rs. 15	Norway	Nkr. 5.00
Indonesia	Rp. 20	U.S.A.	Dr. 5.50
Philippines	Pes. 20	U.S.A.	\$1.00

# FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,723

Tuesday September 10 1985

Why U.S. policy  
on apartheid  
failed, Page 20



D 8523 B

## World news

## Business summary

### Debate timetable agreed by EEC

EEC FOREIGN ministers agreed on a tight timetable for their conference to amend the Treaty of Rome, to streamline decision-making in the Community, and extend its areas of activity.

Five full ministerial meetings have been scheduled before the EEC summit in Luxembourg in December, in addition to regular consultation with the European Parliament on any changes proposed.

The ministers want to draft ways of promoting closer economic and monetary co-operation, joint policies on the environment and new technologies, and possibly on health, education and culture, in addition to closer co-ordination of their foreign policy.

#### Pakistan walk-out

Six deputies walked out of Pakistan's national assembly when their calls for a debate on the defen-  
sion of Pakistan People's Party leader Benazir Bhutto were refused.

#### Costa Rica attacked

Costa Rica fired heavy calibre mortars at neighbouring Nicaragua for the first time after an aircraft attacked a border post with machine gun fire.

#### Engineer charged

A West German engineer was indicted in Karlsruhe on charges of supplying East Berlin with em-  
barked Western technology for espion-  
age activities.

#### Bomb defused

West German police defused a fire bomb attack at a U.S. military hospital in Stuttgart by defusing three devices.

#### Blast injuries 16

Basque separatist guerrillas claimed responsibility for a car bomb attack in central Madrid which injured 16 civil guards and two passers-by. Page 33

#### Spokesman quits

Michael Eaton, the UK National Coal Board's spokesman during the latter half of the miners' strike, re-  
signed.

#### Tripoli takes exiles

Sixty-two Mauritanians expelled from Libya last week were flown back to Tripoli after being stranded for three days in Spanish airports.

#### Emergency landing

A TWA Boeing 747 made an emergency landing at Heathrow, London, after leaving for Copenhagen because one of its four Pratt & Whitney engines failed. Page 14

#### Mirages for Iraq

Iraq is taking delivery of French Mirage F-1 fighters and has turned five leased Super Etendard fighters to France. It claimed to have repulsed an Iranian attack on the northern front, killing thou-  
sands. Page 3

#### \$150m fraud trial

A Turin magistrate committed 123 people for trial in an oil tax evasion scandal, involving £300m (\$150m), said to be the largest fraud committed against the Italian state.

#### Pakistan drugs haul

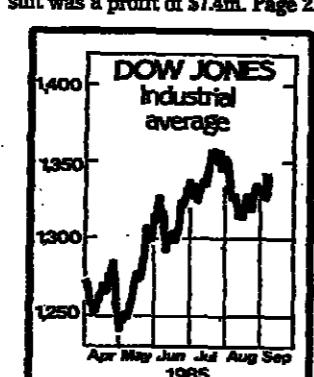
Pakistani drug squads seized one tonne of hashish worth \$1.2m stored near a beach for smuggling to Belgium.

#### Beer seized

Austria, still in the throes of investigating poisoned wine, now has been trouble. A provincial brewery's stock was impounded after it was found to contain dangerous amounts of disinfectant. Page 21

### Massey-Ferguson plunges to \$5.9m loss

MASSEY-FERGUSON, Toronto-based farm equipment and industrial machinery maker, saw a reversal in results for the three months ended July 31, compared with the same period last year. The company suffered a net loss of \$5.9m this year, whereas the corresponding 1984 result was a profit of \$7.4m. Page 21



WALL STREET: At 3pm the Dow Jones industrial average was 2,011 higher at 1,337.70. Page 49

TOKYO share prices closed generally lower. The Nikkei-Dow market average shed 23.34 to 12,455.72. Page 49

LONDON equities eased after a strong start with international stocks firmer on the weakness in sterling. The FT Ordinary share index closed 0.3 lower at 1,120.5. Gilt's lost ground. Page 40

DOLLAR continued to advance in London, rising to DM 2.042 (DM 2.022), FF 8.975 (FF 8.875) and SWF 2.225 (SWF 2.185), but was unchanged at £243.5. On Bank of England figures the dollar's index rose to 142.0 from 141.4. Page 33

STERLING lost 2.05 cents against the dollar in London, to \$1.505. It also fell to DM 3.84 (DM 3.8825), FF 11.77 (FF 11.62), SWF 3.125 (SWF 3.2075) and Yen 175.75 (Yen 172.5). The pound's exchange rate index fell to 79.9 from 81.0. Page 33

GOLD: In New York the October Comex settlement was \$320. Gold rose just \$0.25 on the London bullion market to finish at \$320.50. It was also higher in Zurich at \$319.85. Page 32

INTERNATIONAL Fund for Agricultural Development, Rome-based UN agency which aims to help Third World farmers, believes a solution to its funding problems is in sight. Page 30

GUCCI family members are fighting among themselves in Italian courts for control of the fashion goods business. Page 20

CANADIAN PACIFIC announced plans to merge with Canadian Pacific Enterprises to combine transport, industrial and resource interests under a single holding company. Page 21

SEARS, ROEBUCK, U.S. retailing and financial services group, is poised to launch the first credit card on the U.S. scene in 20 years with its "Discover" card. Sears intends to link its range of financial services with the card. Page 22

QUELLER GOODISON, London-based stockbroker, opened the first shares shop approved by the Stock Exchange at Debenham's in London's Oxford Street.

WESTERN MINING Corporation, Australia's biggest nickel and gold producer, saw net profit for the year to June 18 up 34 per cent to A\$46m (\$28.3m). The company attributed the rise to higher gold production and this year's depreciation of the Australian dollar. Page 23

GUDANG GARAM, cigarette manufacturer and Indonesia's second biggest employer prepared to face considerable management re-adjustment after the death of the company founder, Tjioe Ing Hwie. Page 23

NMB, leading Dutch commercial bank, announced a £1.47m (£167m) rights issue on a one-for-10 basis at £1.165 a share. Page 21

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### Pretoria faces new pressure as U.S. imposes sanctions

BY STEWART FLEMING IN WASHINGTON AND ANTHONY ROBINSON

PRESIDENT Ronald Reagan yesterday ordered the imposition of a set of limited economic sanctions against South Africa, sending the strongest signal so far of mounting American impatience with Pretoria's racial policies.

The system of apartheid means deliberate, systematic, institutionalised racial discrimination against the black majority their God-given rights," Mr Reagan said in a televised statement. His remarks contrasted sharply with comments he made last month suggesting that racial segregation was "an unfortunate precedent".

He refrained from criticising President Reagan personally, and noted that the executive order was less harmful than the legislation proposed by Congress. "It is, none the less, to be regretted. Whatever the intention, the effect is punitive," he said.

He accused the US Congress of mounting pressures which disregarded the welfare and interests of the region and of making no attempt to analyse the likely effects of sanctions which, he said, "destroy jobs and progress", including those of black African workers from neighbouring states.

In the first reaction from business circles, Mr Raymond Parsons, chief executive of the Association of Chambers of Commerce (Assocon), said the selective sanctions "set an unfortunate precedent" and noted that the U.S. action was in stark contrast to the views of European foreign ministers who, on a fact-finding mission 10 days ago, found that economic sanctions would do more harm than good to the reform process.

By contrast, Nobel Peace Prize winner, Bishop Desmond Tutu, told reporters the mildness of the measure.

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He said: "I don't care two beans about black people in South Africa. I don't think he cares at all. That is why I called him a crypto-racist. I think I should call him a racist pure and simple ... he thinks black people are expendable."

He said: "I don't care two beans about black people in South Africa. I don't think he cares at all. That is why I called him a crypto-racist. I think I should call him a racist pure and simple ... he thinks black people are expendable."

President Reagan's announcement increases the pressure on EEC foreign ministers to agree some equivalent steps at their meeting in Luxembourg today. Until now, EEC sanctions have been blocked by British and West German opposition.

Sir Geoffrey Howe, the British Foreign Secretary, said in Luxembourg last night that the UK Government shared the U.S. Administration's aim of avoiding damage to the South African economy.

"We are there now opposed to mandatory economic sanctions," he said.

He insisted that British Government policy was already very close

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Pretoria fears moral boost, Page

## EUROPEAN NEWS

## Why French bargemen are up in arms

BY DAVID HOUSEGO IN PARIS

"IN 1980 THE longest you had set fire to a locomotive at to wait to pick up a new cargo Meaux, also in the Paris region. Mme Micheline Rousseau, whose barge is one of the small flotillas that currently blocks the Seine to traffic. "But now the Seine to traffic. "But now that's the minimum wait."

The barge owners blame their dramatic loss of business on the drop in French wheat exports this year and "unfair competition" from the nationalised rail network. But behind their widening protest is the belief that the survival of their business is at stake.

More than 100 barges have been blocking the Seine at the Pont Alexandre III over the last 10 days — to the anger of the *bateaux-mouches*, companies who have had to cancel excursions along the river in what is still peak tourist season.

Some hundreds more have been strangling the river at St Mandan, where the Seine joins the Yonne, and at Rouen. Over the weekend angry barge owners mounted "commando" raids to damage a grain silo near Melun and to

block the river indefinitely. The barge owners say they will block the river indefinitely. "We will stay as long as necessary — six months or a year," says M. Joel Caster.

In practice it is difficult to see how they can be dislodged. The normal French way of dealing with uncomfortable situations is to order the riot police into action. But the boatmen scoff at this.

"Riot police on the barges — that would be a joke," says Mme Rousseau. They are also rightly doubtful that the Government will send in gunboats.

The barge owners have laid their plans carefully. They run a river system so that some run the blockade while others run normal, passing the blockades when needed. Family incomes are in some cases supplemented by other jobs as well — some crew even work for the *bateaux-mouches* in the summer.

French river and canal-borne traffic has been declining since 1970 with a loss of market share

to road and rail of 38 per cent over the last 10 years. The decline has been sharper in recent years with inland freight loads falling to 2.8m tonnes in 1984 as against 11.1m in 1981. Future prospects look no rosier with *Électricité de France* (the French generating authority) cutting its demand for coal, and demand for sand and building materials dropping with the recession in the building industry.

The independent barge owners — those behind the present action and believed to number some 2,800 in all — have been saved from the worst consequences because they have a virtual monopoly of water-borne short-haul transport. This represents about 25-30 per cent of French production.

But with rail freight traffic in France (deciling as well) the SNCF (the French railways) have begun to tap the market by offering rates below those set by the barge owners. The SNCF deny that they are practising "unfair competition" or offering rates below their real costs — but they decline to

give precise details of these costs. At the same time the barge owners see another danger looming up. This is that the big barge companies — which have so far specialised in bulk, like sand — will also move in to their market.

But already the decline in traffic and the increasing competition means that the barge owners say they earn no more than FF 2,000-3,000 a month or about half the French minimum wage.

"We don't earn enough to maintain our boats," says M. Walter Coude, owner of the *Midi*, whose gross turnover fell from FF 300,000 (£29,500) in 1983 to FF 220,000 (20,500) last year and probably even less this year.

The barge owners reject the government's view that the decline in water-borne traffic is irreversible. They point to the large amount of freight still born on the waterways of West Germany, Netherlands and Belgium — 25 per cent of German freight is carried by water as compared with 5.7 per cent in France.

A Government-commissioned

report three years ago also painted a brighter picture for French waterways. But it said this would depend on widening French canals to take larger boats and on linking the French canal system with that of its European neighbours. The trouble is that it estimated the likely cost of such a programme as up to FF 15bn. After spending little for decades on the waterways, no French government is likely now to embark on such ambitious schemes as linking the Rhine and the Rhone.

Negotiations between the Ministry of Transport and the barge owners are expected to resume tomorrow. The barge owners have, so far, turned down the government's offers for social security and schooling concessions. In practice they are asking the government to determine market share and to safeguard their share of the waterways.

It has been the sharp decline in wheat exports from Europe in the first month of this year that precipitated the conflict. If exports pick up the chances of a compromise will be greater. This has set back hopes that preliminary drafting work on a concluding document could begin during the current session, which ends immediately before the November 10 summit meetings between U.S. President Ronald Reagan and the Soviet leader, Mr Mikhail Gorbachev.

Nonetheless, after a difficult and sometimes highly-charged early phase, the conference has settled down to business-like discussions on a series of "confidence-building measures" (CBMs) aimed at averting the risk of war on the Continent through accident or miscalculation.

In the last session, the Warsaw Pact tabled for the first time a series of counter-proposals to demarcate Western

territories in the 11-nation European Space Agency.

The squad presented by CNES yesterday, aged between 26 and 37, includes a physicist from the atomic energy commission (CEA) and a veterinary scientist from France's agricultural research agency (INRA).

The range of our debate is more precisely defined and our vocabulary increasingly similar," said the U.S. envoy, Mr James Goodby, at the end of that session.

But the two sides remain apart on a number of specific issues. Among these is the extent of and thresholds for advance notification of military movements, verification procedures and observation methods.

Western economists noted a rescheduling with the West of \$12m of debt last July has paved the way for fresh government-backed loans to Poland. Austria has pledged \$40m of government guaranteed credit and West Germany is expected to follow with a similar amount.

Diplomats said, however, that it was unlikely that the West would commit itself to lending as much as the \$80m Poland was seeking.

The report noted that drawings of long and medium term credit to \$218m last year from \$365m in 1982. In 1980, drawings amounted to \$37m.

The government newspaper *Rzecznopolska* said this year's exports to the West were too low and by the end of August had only fulfilled 49.2 per cent of the 1985 central plan.

## Dutch may support movement for 'two-speed' Europe

BY LAURA RAUN IN AMSTERDAM

MR HANS van den Broek, the Dutch Foreign Minister, warned yesterday that if the inter-governmental conference on further integrating and streamlining the EEC goes ahead, the Dutch might strive for a "two-speed" Europe.

Speaking in The Hague shortly before departing for the Luxembourg conference, Mr van den Broek hastened to add that he was not issuing a threat on the eve of the meeting. But he declared that if the series of meetings culminating in the December EEC summit "are without results, then that (a two-speed Europe) could be the next step. I am prepared, if nothing comes out... to ask who is prepared to go forward or else we will be dependent on the slowest."

A two-speed Europe refers to the idea of allowing the members who want to accelerate harmonisation within the Community — basically the original six — to do so within some framework while the rest integrate more slowly.

The inter-governmental conference is aimed at amending the Treaty of Rome — the EEC's founding

document — to achieve greater co-operation in foreign policy and other areas, expedite the decision-making process and enhance the European Parliament's power.

While seven EEC members, including the Netherlands, have endorsed the conference the other

tries in the 11-nation European Space Agency.

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But the two sides remain apart on a number of specific issues. Among these is the extent of and thresholds for advance notification of military movements, verification procedures and observation methods.

Western proposals call for a "significant expansion" of such CBMs, while the Eastern bloc has placed more emphasis on so-called declaratory measures.

The NNA working document is expected to give the other side an opportunity to explore areas of compromise without abandoning their publicly-stated positions.

However — with a membership ranging from Switzerland to Yugoslavia — the NNA states have found it more difficult than expected to weave together a proposal which adequately addressed their own widely varying national security interests.

Delegates from the bloc now expect it will be at least two to three weeks before the document can be tabled.

Two of the members are test pilots from the French air force.

That was the career background of the two Frenchmen who have up to now made space flights with the Soviet Union, in 1982 and on board the U.S. space shuttle Discovery in June this year.

Scientists, or "payload specialists", able to adjust instruments and handle experiments in areas such as crystallography and biotechnology, have, however, started to supersede test pilots in astronaut squads in the U.S. over the last decade.

## FINANCIAL TIMES

Published by The Financial Times (Europe) Ltd, Frankfurt Branch, represented by E. Hugo, Frankfurter Allee 100, 6000 Frankfurt 1, Germany. Member of the Board of Directors: P. Barlow, R.A.F. McClain, G.T.S. Danzer, M.C. Cormann, D.E.P. Palmer, London, Printer: Frankfurter Sonderdruckerei-GmbH, Frankfurt/Main. Responsible editor: C.E.P. Smith, Frankfurter Allee 100, 6000 Frankfurt 1, Germany. Tel. 069/46 21207.

FINANCIAL TIMES, USPC No. 100-240, published daily, except Sundays and holidays. U.S. subscription rates \$305.00 per annum. Second class postage paid at New York, N.Y. and at additional mailing offices. POSTMASTER: send address changes to FINANCIAL TIMES, 14 East 64th Street, New York, N.Y. 10022.

## Italian oil fraud charges

A TURIN magistrate yesterday committed 192 people for trial in a long-running oil tax evasion scandal said to be the largest fraud committed against the Italian state, Reuter writes from Turin.

Between 1974 and 1979, three northern Italian oil refineries swindled the Government out of £300m (£118m at current rates), according to the indictment drawn up by magistrate Sig Mario Vaudano.

The 2,500-page indictment stated that the refineries imported tax-free fuel oil intended for industrial use and converted it into taxable diesel fuel for motor vehicles, which they marketed at vast profit.

Following a six-year investigation, the accused, who include businessmen, policemen and civil servants, were charged by Sig Vaudano with offences ranging from conspiracy to contraband. Six of them are still at large. No date was immediately set for the trial.

The scandal has had major political repercussions following allegations that the racketeers enjoyed high-level protection and gave financial rewards to political parties.

The allegations revolve around Gen Raffaele Giudice, former head of the so-called Finance Guard, a police unit dealing with customs and tax offences.

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## EUROPEAN NEWS

**Iraq hands back Super Etendards to France**

By David Marsh in Paris  
IRAQ HAS announced that it has handed back to France five Super Etendard jet fighters delivered under a controversial leasing agreement in October 1983. The aircraft have been used subsequently to strike at oil tankers servicing Gulf ports in Iraq's long-running war with Iran.

The move, announced by Mr Tarek Aziz, the Iraqi Foreign Minister, in Baghdad on Sunday, could not be confirmed by the French Defence Ministry. But an official, pointing out that the original agreement was for the jets to be handed back after two years, said it appeared as if Iraq was sticking fully to the accord.

Delivery of the Super Etendards in October 1983, and their later use equipped with Exocet missiles in the Gulf war, caused grave fears of escalation in the conflict with Iran.

It was widely believed in France and in western capitals that Iraq would be unable to hand the aircraft back according to the original terms of the deal, either because of war damage or because of Baghdad's pressing needs for sophisticated fighters.

In the event, Mr Tarek Aziz on Sunday minimised the importance of the return of the jets by saying that Iraq now had available Mirage F1 aircraft capable of firing similar missiles to the Exocets.

It was not clear whether this was a reference to Soviet missiles which at times during the last two years have been reported to be delivered to Baghdad.

Paris has maintained military and economic aid for Iraq throughout the Gulf conflict. If the Super Etendard make their way back safely to France — where they are due to be re-integrated into French naval forces — there will be considerable relief in Paris that their operation has been kept relatively low-key during the last two years.

The threat by Iran of large-scale reprisals against France following the delivery of the aircraft has not been translated into action. France's continuing military support for Iraq has however been cited by the kidnappers of French hostages still held in Beirut as one reason why the captives have not yet been released.

**Turkey puts on brave face as IMF talks start**

BY DAVID BARCHARD IN ANKARA

TURKEY'S third round of Government is preparing public opinion for yet another breakdown.

Since 1980, when Mr Turgut Ozal, now the country's Prime Minister, first adopted the Fund's medicine, Turkey has been regarded as one of its model pupils.

It has certainly made a striking recovery from the chaotic mismanagement at the start of the decade.

None the less, last spring negotiations between Turkey and the Fund broke down not once but twice. For the first year since 1980 there has been no standby agreement. Sights are now being set on 1988.

Hopes for an agreement are not high. To judge from many articles appearing in Turkey's press over the last week, the

is likely by the end of the year. However, during the first half of this year, the current account deficit dropped to \$75m, compared with \$868m in 1984.

Turkey is likely to run large trade deficits of \$2.5bn to \$3bn annually for the foreseeable future. But foreign exchange is flowing into the country, thanks to Mr Ozal's policies, in a way that has not done in living memory.

Not only are there no delays in transfers for import payments and profit repatriation, and have not been for several years, but also ordinary Turks can buy foreign currency in large amounts over the counter in a way they have been unable to do in the post-war period.

Ability to reach agreement with the Fund ought to be very

important to the Government, which last year was about 4.9 per cent of GDP at most.

However, the Fund is also thought to be concerned about the growth in the number of special government-controlled funds outside the normal budget. These have grown to 120 since Mr Ozal took office, and have a major part in determining the performance of the economy.

If Government figures are to be believed, the major criticisms made last spring by the IMF are no longer valid. But

the Fund has it that part of the

quarrel between the Fund and Turkey arose from IMF scepticism about the genuineness of some of the figures it

was being offered. Tough scrutiny of current performance will be inevitable.

**Bomb blast injures 18 in central Madrid**

BASQUE separatist guerrillas claimed responsibility for a car bomb attack in central Madrid yesterday which injured 16 civil guards and two passers-by, including an American, Spanish state radio said. Reuters reports from Madrid.

The remote-controlled bomb exploded during the morning rush hour in part of the city housing several embassies. The para-military civil guards were driving to the Soviet embassy for sentry duty.

As their wrecked bus came to a halt, a free, injured guard, said at the attackers escaped in a taxi commanded at gunpoint, police said. An American out for a morning job suffered serious neck wounds and severe loss of blood from the blast. Hospital sources identified him as Mr Ken Brown, an employee of the Johnson and Johnson company.

The radio said that the guerrilla group Eta (Basque Homeland and Freedom) said in several telephone calls to Basque newspapers that it had carried out the attack.

Fourteen Portuguese fire-fighters were found burned to death early yesterday after they had been sent in a forest plane near Lamego in northern Portugal, police said. Reuters reports.

A police spokesman at Lamego, about 180 miles north of Lisbon, said by telephone that the bodies had been found by police and firemen near Armação, east of Lamego.

The firemen had been reported missing last night after going out on a fire-fighting mission.

**W. German held over high-tech spy devices**

A WEST GERMAN engineer has been charged with espionage for allegedly supplying sensitive U.S. and West German technology to East Germany, the federal prosecutor's office said yesterday. AP reports from Karlsruhe.

Herr Hans Joachim, 66, is accused of furnishing technical

measures from efforts of private individuals. One pioneer has been Mr Celik Galersey of the Turkish Touring and Motoring Club. Against a backdrop of official apathy and even hostility, he has restored old houses in Istanbul and created various showpieces, including a Victorian hotel behind the Blue Mosque and an Ottoman pavilion overlooking the Bosporus.

In Ankara, an Environmental Problems Foundation has been set up by an energetic lawyer, Mr Engin Ural, and a group of retired senior officials and public figures. It has produced a series of detailed authoritative studies — but so far not succeeded in budgeting official attitudes.

Though a Directorate for the Environment exists, it plays no active role. Environmental experts say that it was typical that it took five months to obtain written answers to questions from the Directorate.

Herr Alexander Prechtel, the prosecutor's office spokesman, said.

Deteriorating quality of life is the price Turks are paying for fast growth, David Barchard reports

**Environmental dangers begin to arouse concern**

Traffic on Istanbul's Galata Bridge with the New Mosque looming through the haze

SEPTEMBER IS the month when Turks living in big cities begin to poll their neighbours each morning and eye the neighbourhood for signs of smog. One Istanbul businessman told me he had already detected the year's first smog during the first week of September, long before the city's central heating systems — most of them fuelled by a low-quality coal brought in to belch yellow clouds into the streets.

During winter months air pollution in Ankara and an increasing number of other Turkish cities rises to levels which in most countries would be totally unacceptable.

Official figures for sulphur dioxide and other gases are published daily, but most Turks in the know regard them with a degree of scepticism. They are aware, for instance, that last winter the instruments monitoring pollution in Ankara's atmosphere went "off the clock" after giving readings many times above the internationally recognised safety levels.

Atmospheric pollution is only one of several environmental dangers threatening Turkey which are beginning to arouse public attention. River and sea pollution are also increasingly serious. In the Aegean city of Izmir, a major tourist and industrial centre, an unpleasant smell hangs over the town most days. No one seems to know what to do about it.

Serious environmental prob-

lems were virtually inevitable, given Turkey's high rate of population growth (about 2.3 per cent a year over the past decade) and the even faster expansion of major cities, many of them growing by 7 or 8 per cent a year, cramming families into densities per hectare often well above authorised levels in Western Europe.

As a result, shortages of basic utilities, such as electricity and more often of water, blight the life even of well-to-do Turks in Istanbul. Cuts in the water supply lasting several days are by no means unusual, and many families count them

as lucky if they can have water for a few hours every night during which baths can be taken and dishes washed.

Like many developing countries, Turkey seems to face a dilemma. If it wants to improve the quality of life for its citizens, it has to press ahead with major industrial and infrastructural projects as quickly as possible. But these can destroy areas of outstanding natural beauty and perhaps generate more pollution, so bringing down the overall quality of life.

The dilemma was seen most acutely last winter when the

Oral Government announced plans to build a major new coal-fired power-station in one of Turkey's chief beauty spots, the bay of Gokova, on the south west coast.

The Prime Minister and the President of the Republic were both driven by the press and public opinion to conduct on-the-spot investigations. Mr Ozal

is a businessman's Prime Minister and his Motherland Party may be said not unfairly to be a businessman's party. The Turkish constitutional court quashed a law to allow purchase of land by foreigners — but so far no sales went ahead during an interim period.

Opposition sources claim this was part of a systematic effort to upgrade Turkey's links with the Islamic Middle East at the cost of its national heritage.

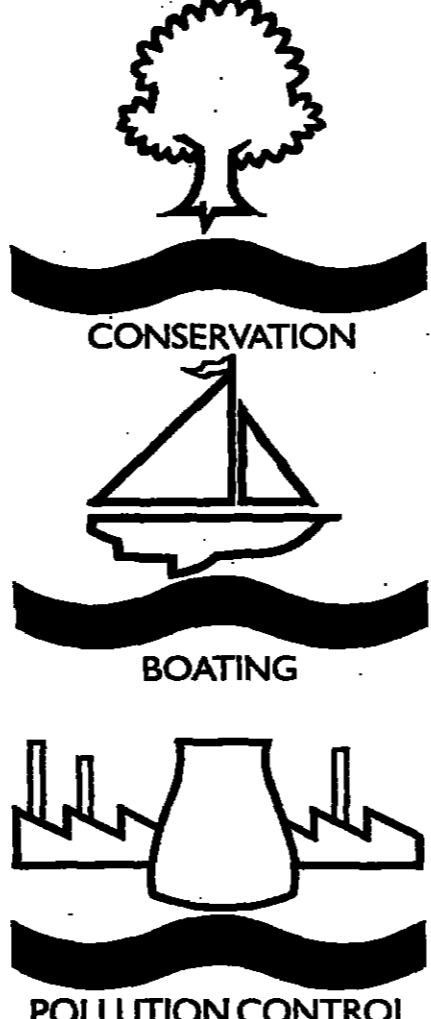
They also say that Byzantine

(i.e. Christian) or classical ruins

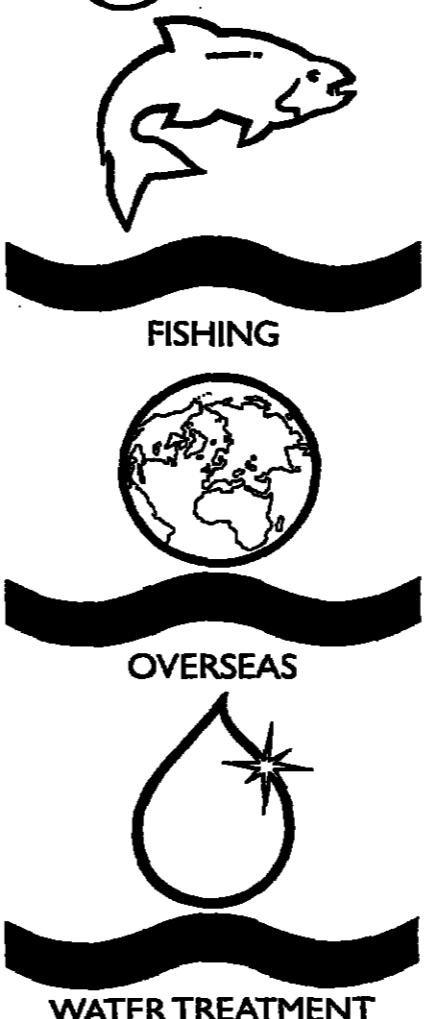
in the city are being bulldozed

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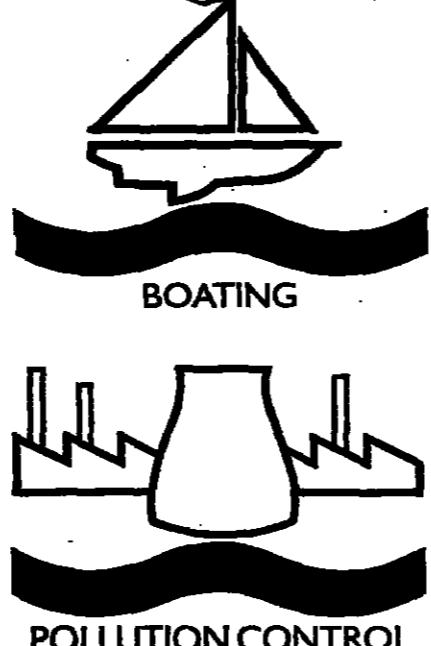
FISHING



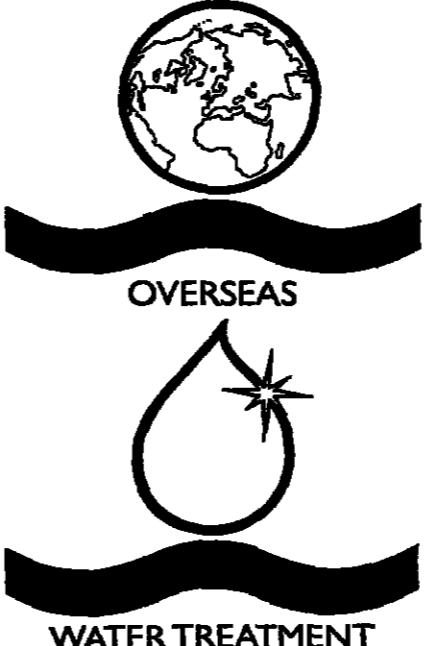
RIVER MANAGEMENT



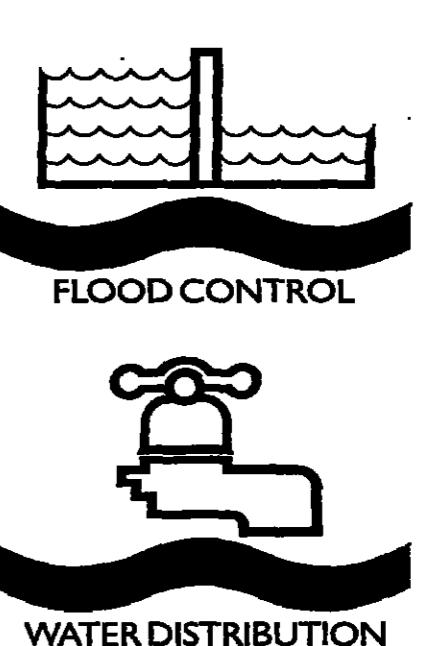
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## OVERSEAS NEWS

Another failed attempt by junior officers to seize power may reduce the military's role in Thai politics, Chris Sherwell reports

## Thailand's fragile democracy survives an assault by Young Turks

YESTERDAY'S abortive and bloody coup by former young military officers, like their April Fool's takeover attempt in 1981, was a sobering reminder of the fragility of Thailand's democracy.

As in 1981, General Prem Tinsulanonda, the 65-year-old Prime Minister, managed to survive the onslaught only after some desperately worrying moments. As then, the impact on foreign investor confidence, will be predictably harmful.

The latest coup, the 15th since the Thai monarchy's powers were forcibly curbed in 1932, will also be remembered abroad for the tragic death of two U.S. television correspondents, victims of a sudden fire-fight in the heart of Bangkok which eventually brought the end of the attempted takeover.

But the real political significance of yesterday's violent events may be that the Young Military Officers' Group, or Young Turks as they are known, are about to suffer their final demise.

That does not mean an end to the peculiar role in Thai politics. The triumvirate of the

military, the political parties and the bureaucracy, all delicately balanced beneath the revered and influential monarchy, seem likely to continue.

But yesterday's short-lived power grab by former Young Turk officers, taking advantage of the absence abroad of both Gen Prem and Gen Arthit Kamlangkak, the supreme armed forces commander, was an abject failure, just like their 1981 rebellion. On that count alone, military politics in Thailand already look different.

### Able officers

Formed as a result of the students uprising of October 1973, the Young Turks grew in numbers and influence to become "kingmakers" for the Thanin regime in 1976, Kriangsak Government in 1977, and even Gen Prem's premiership which began in 1980.

They were some of the most able officers of their era, seeing service in Indo-China, and fighting Thailand's communist insurgents. As their clout

grew so did their prospects and their ambition.

By the time they tried to remove Gen Prem on April 1 1981, their concerns had expanded far wider than the immediate instabilities of the mid-1970s, or the desire to influence the political process. In one analyst's judgment, they sought nothing less than power itself, with all its perquisites.

One of the main figures behind the coup yesterday and in 1981 was Col Manoon Roopkachorn, 50, a 1960 graduate from the military academy. He and others were discharged in 1981, and never reinstated despite moves towards rehabilitation.

Col Manoon, whose brother, Air Force Wing Commander Manas Roopkachorn, also played a major role in yesterday's events, appears to have been backed by Gen Gen Thapirat, a deputy army commander-in-chief in the 1970s, when he was one of the most powerful military figures in Thailand.

Gen Yos's commander at that time, Gen Sern Nakorn, was also named yesterday as one of the figureheads fronting the

latest coup, although he, Gen Praphan, the Air Force chief, Gen Kriangsak Chomchamand, who were also mentioned, may have been dragged into lending support.

One crucial factor determining the outcome of yesterday's coup was the decision of Gen Arthit to hand authority while he was in Europe to his deputy Gen Thienchai. He in turn won the support of the next two most important Bangkok military figures, Gen Pichit and Gen

### Turning point

Chavalit, against the rebels.

Another factor was the failure of other Young Turk military figures to join the coup even when the rebels with 22 tanks and some 400 men had taken control of Supreme Command Headquarters, Government House, Radio Thailand and had surrounded the Palace.

The final turning point came when the rebels failed to stop the radio broadcast of the Army First Divisions, The Royal Guard. The destructive half of fire then unleashed left at least four dead and 35

wounded, and shattered all hope of public support.

Without the media, other Young Turks or the army top brass, the question of whether the King might support the rebels — the ultimate determinant of legitimacy — never even arose.

Yesterday's events could not have come at a worse time for Thailand's 50m people. The situation in the Eastern border remains serious with 170,000 Vietnamese troops in Kamphuchea, while at home, economic growth is rapidly slowing and posing challenges not experienced in 20 years.

The Government has to repair the final damage to the country's image. It is difficult to see the rebels escaping as lightly as they did in 1981. It would hardly look becoming for the armed or Government to be so ambiguous twice.

With their hopeless miscalculation, the Young Turks may thus become a spent force. With that, moves towards a civilian style parliamentary democracy, can slowly continue, and the events of September 9 may one day seem like an aberration to everyone except the families of the dead and injured.



Television journalist Neil Davis covered wars, coups and revolutions, death and mayhem, for 21 years. Yesterday he filmed his own death. Reuter reports from Bangkok, Davis, 51, of NBC News, and his soundman, William Latch, were filming rebel tanks moving on a downtown Bangkok army broadcasting building during a coup attempt. Fellow Australian Gary Burns, a Viasnews cameraman, said: "Without any warning an hell broke loose."

"Everything happened in a flash. We were on a direct line of fire and I think I saw the machine-guns on four or five tanks fire directly at the broadcasting building before we all hit the dirt," Burns said. Davis, still filming, rolled on top of him and said "I'm all right, I'm all right."

"During a hill in the shooting I rolled him over to help him up but... he was dead," Burns said. "He died filming his own death." He said Davis appeared to have died almost instantly. Latch, an American, died later in hospital.

## Pretoria fears morale boost to anti-apartheid lobby

BY ANTHONY ROBINSON IN JOHANNESBURG

THE effective damage to the South African economy by President Ronald Reagan's announcement of limited sanctions will be minimal compared with the damage already done by the action of U.S. banks in sparking off the debt repayment crisis.

However, the fear, expressed last week by Mr Louis Nel, Deputy Minister of Foreign Affairs, is that the U.S. President's decision to impose largely symbolic sanctions, in the hope of heading off more substantial measures in the Congressional pipeline, will legitimise the sanctions and disinvestment lobbies around the world.

Trade between the two countries has already declined dramatically over the last year with U.S. exports to South Africa dropping from \$1.28bn (592.5m) in the first half of

1984 to \$675m in the first half of 1985; U.S. imports from South Africa have fallen from \$1.51bn to \$1.07bn in the same period.

The decline in South African exports is due almost entirely accounted for by the decline in Krugerrand sales and came against the background of a spectacular 41 per cent rise in exports generally to R19.28bn (583.5bn) over the first seven months of the year.

With the expected ban on

Krugerrands already discounted

and the restriction on new

bank loans overshadowed by

the far wider problem of reach-

ing an agreed re-scheduling of

existing loans, the other main

areas of concern are: further

restrictions on computer sales,

already barred to Government

departments linked to the

police and other apartheid-

related agencies since the

Carter years; and restrictions on

nuclear and other technology

flows.

IBM, Burroughs and other U.S. companies play a large and probable role in the estimated R1.5bn-a-year South African computer market with much of the equipment being supplied from non-U.S. manufacturing subsidiaries in Europe and Asia.

Existing restrictions on mainframe sales to Government departments and uncertainty over future operations have been exploited by important European manufacturers such as International Computers (ICL) of the UK, Siemens, Olivetti and other European producers with a growing Japanese presence.

The real impact of U.S. sanctions will not be economic but political and psychological — the latest in a long line of diplomatic and political delusions for both Pretoria and Washington.

To all intents and purposes, the combination of precipitate action by U.S. bankers and inability of the Reagan Administration to head off the sanctions lobby signals the end of the policy of "constructive engagement". Washington sought, by this policy, to encourage and cajole rather than scold Pretoria into reform and also to achieve the independence of Namibia through combined pressure on Angola to remove its Cuban troops and Soviet advisers.

As the Reagan Administra-

tion came under increasing attack from the anti-apartheid and pro-sanctions lobbies in the U.S., Pretoria grew increasingly restive at what it saw as

the 1980s civil rights

campaigns in the U.S.-South African relations

which has now turned into

anger and the virtual collapse of

U.S. influence in South

Africa.

Experts point out, however,

that it is impossible to know

what ultimately happens to

equipment and anti-apartheid

activists have argued that all

computer exports should be stopped on the grounds that

they would not be pre-

cipitated into taking economic

measures just because of U.S. decision, saying his Gov-

ernment remained opposed to

sanctions. Any EEC decision

would be taken simply in the

light of Europe's responsi-

bilities.

The anti-apartheid move-

ments, meanwhile, declared

that failure to take any action

meant the EEC "will have

chosen to come to the aid of

the apartheid regime at its time

of greatest need."

The organisations, which

met for the first time in

Brussels at the weekend to co-

ordinate their position, also

called on the EEC Ministers

to begin talks with the African

National Congress (ANC), the

exiled South African nationalist

movement, "as the legitimate

representative of the people of

South Africa."

It became clear that U.S. diplomatic efforts to bring about Cuban withdrawal from Angola were impotent in the absence of any effective U.S. military or other sanctions to back up diplomacy, so Pretoria took unilateral action.

It formed a transitional Government in Namibia and then, to Washington's great embarrassment, embarked on an abortive commando-style attack on oil installations in Cabinda run by the U.S. Gulf Oil corporation and undertaken

an across-border raid against African National Congress (ANC) cadres in Botswana.

The action was swiftly followed by the recall of U.S. ambassador, Mr Herman Nickel, and a deep chill in U.S.-South African relations which has now turned into anger and the virtual collapse of U.S. influence in South Africa.

The U.S. computer industry, believed to hold about 70 per cent of the South African market, could potentially suffer most from the presidential sanctions, although companies claim that the largest element of their business is with the private sector.

Experts point out, however, that it is impossible to know what ultimately happens to equipment and anti-apartheid

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## U.S. sanctions turn voluntary action into formal practice

BY TERRY DODSWORTH AND DAVID LASCELLES IN NEW YORK

PRESIDENT REAGAN'S announcement to a large extent formalises the practices which U.S. industrial companies and financial institutions have been developing over the last year or so under increasing pressure to take action over apartheid.

About half of the U.S. companies doing business in South Africa are already signatories of the Sullivan Principles, which the President urged them to apply, and the banking sector has also largely adopted voluntary restrictions on lending to South Africa.

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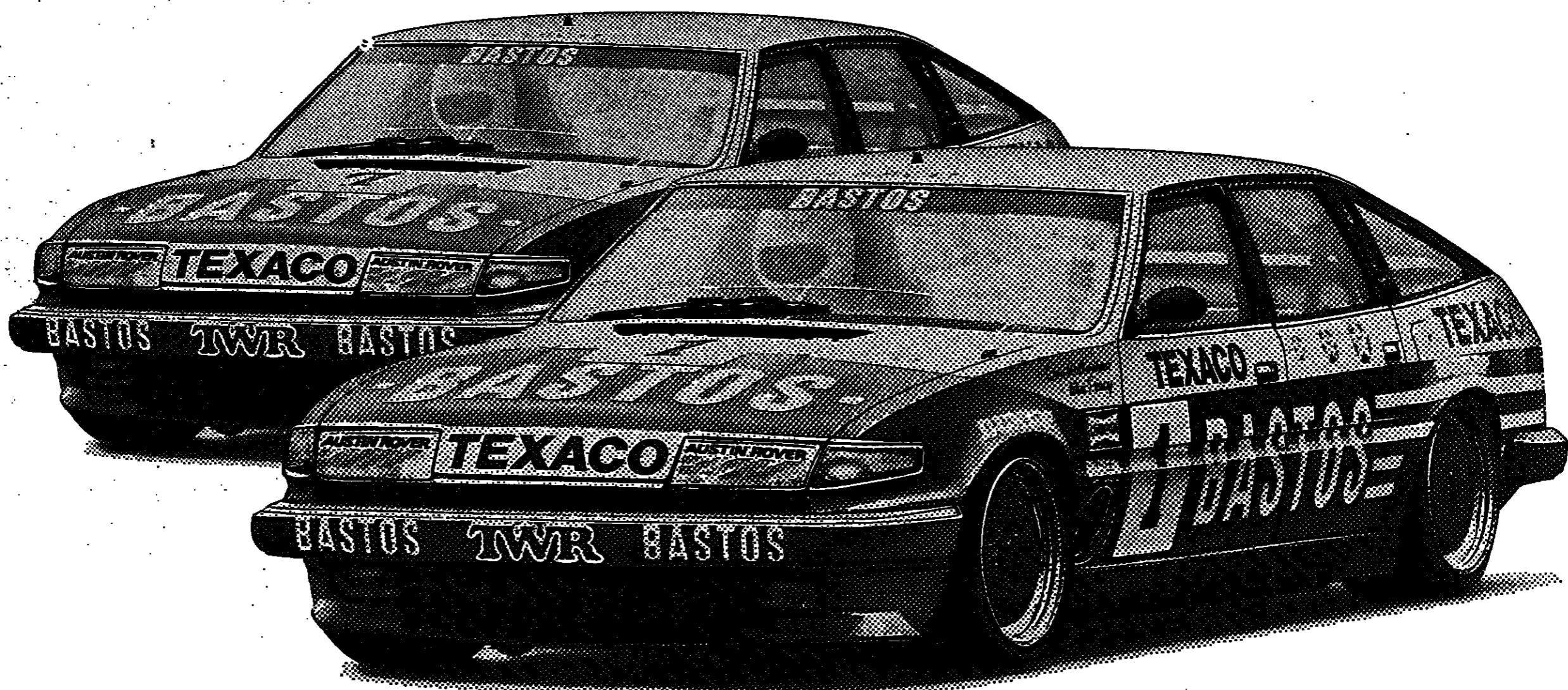
cipitated into taking economic

measures just because of U.S. decision, saying his Gov-

ernment remained opposed to

sanctions. Any EEC decision

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## OVERSEAS NEWS

## Australian Liberal leader names strong new shadow cabinet

By MICHAEL THOMPSON-NOEL IN SYDNEY

THE DRAMATIC change in Australia's political climate was confirmed yesterday, when Mr John Howard, the new Opposition leader, named a shadow Cabinet tailored to project the rationalist, neo-Thatcherite platform with which he will seek to demolish Mr Bob Hawke's Labor Party Government at the next general election.

Mr Howard grasped the Liberal Party leadership last week, when an attempt to depose him by the former leader, Mr Andrew Peacock, backfired.

Mr Howard, a former Treasurer (Finance Minister), is keen on privatisation, and sees deregulation of the labour market—plus an attack on union power—as the key weapons with which to confront Mr Hawke.

Mr Jim Carlton, a former Liberal "dry," and former Health Minister, was named shadow Treasurer. Mr Neil Everett, the new Liberal Party deputy leader, was named shadow Industrial Relations controlled, said Mr Dolan.

## Nuclear protest yachts set sail for Mururoa test zone

By DAI HAYWARD IN WELLINGTON

NEW ZEALAND'S prime minister, Mr David Lange, described the sailing yesterday from New Zealand of three anti-nuclear protest yachts to the French nuclear testing zone at Mururoa as "a clear message to the French Government of the opposition of New Zealand and South Pacific people to continued nuclear testing."

He said the voyage is a "courageous act in view of the bombing of the Greenpeace flagship Rainbow Warrior."

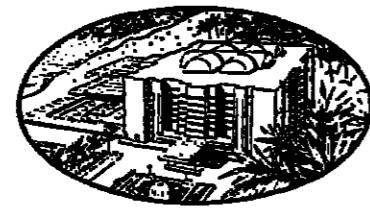
Because of the loss of Rainbow Warrior, which was to act as a supply ship, the three yachts are packed to the rails with food and supplies. Hundreds of people watched them sail from Auckland.

Reports from Pepeete say a French Navy ship will leave French Polynesia this week to intercept the Rainbow Warrior replacement, MV Greenpeace, now on its way to Mururoa from Amsterdam. A contingent of French marines is also reported to be standing by in Tahiti to prevent anti-nuclear activities by the protest yachts.

Mr Geoffrey Palmer, New Zealand's Deputy Prime

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## Abu Dhabi fraud trial resumes

By Kathleen Evans in Dubai

THE TRIAL is to resume today in Abu Dhabi of Javad Hashem, the former president of the Arab Monetary Fund, and five former associates.

Mr Hashem is accused of breach of faith, forgery and falsification of accounts in the local criminal courts following his five-year term of office at the fund, which ended in 1980.

The trial is being brought in connection with alleged losses

involving one leading

accounting firm to amount to

\$70m (£45m).

Three other former officials are also accused. They are Mohammed Mahdi Bahr el Eioum, Samir Fadel Oan and Jalal Adhar Stephan who, like Dr Hashem, are Iraqi nationals.

All are said to be outside the country and will not appear in court. This is believed to have caused some difficulties for under Abu Dhabi law, trials in absentia are not recognised.

Legal sources are thus expecting further delays in the case.

Javad Hashem is believed to be resident in London and at present there is no extradition treaty between Britain and the Emirates. British officials say that difference in law between the countries would prove an obstacle to such a treaty.

However, two of the accused are expected to be in court. The Samir Rabah head of the accounting section of the fund, and another accountant believed to be employed by a firm of accountants which previously audited the fund's books.

Mr Hashem has consistently maintained the accusations against him amount to a vendetta and that he is innocent of all charges.

## Gemayel visits Saudi Arabia

LEBANESE President Amin Gemayel left for Saudi Arabia after a four-day visit to West Germany, talks with Chancellor Helmut Kohl on economic aid for his war-ravaged Middle East nation.

A presidential palace statement in Beirut on Sunday said Mr Gemayel would have talks with King Fahd in Saudi Arabia. He was expected to ask for financial support for Lebanon's economy, battered by 10 years of civil strife.

## AMERICAN NEWS

## Chilean truck drivers flex muscles

THE violent demonstrations in Santiago last week in which 10 people were killed have pushed into the background a less publicised but highly sensitive protest by Chile's independent lorry drivers.

The powerful body of lorry drivers are furious over what they regard as government insensitivity to their financial problems, and are now beginning to flex their muscles. These same people, who have been basically supportive of General Augusto Pinochet's military regime, played a crucial role in paralysing the country just before the late President Salvador Allende's overthrow 12 years ago tomorrow.

The lorry drivers have been incensed by a move by the tax authorities to increase their cargoes more slowly. In previous weeks ago they took their trucks on to a section of the Pan American Highway south of the capital Santiago and blocked it in both directions.

For three and a half hours

some 1,500 motorists were caught up in a monumental traffic jam. No move was made to dislodge them and they were able to circulate a document

saying they were in a "state of alert and mobilisation" in protest at the tax increases, the drivers' leader.

This reaction by the authorities contrasts sharply with the strong arm methods used during and after last week's street demonstrations against Gen Pinochet and illustrates the clout of the lorry drivers.

Successive devaluations have boosted the peso rate to 176 to the dollar, with a corresponding increase in what Chile's domestic debtors owe their creditors.

Chile's peculiar geography — more than 4,000 km long but averaging only 170 km wide — makes it especially dependent on land transport for the delivery and distribution of goods.

Drivers' leaders say that a nationwide strike by their organisation today would have more immediate impact than their strikes of a decade ago, because shopkeepers and consumers no longer hoard goods as they did in the era of the Allende Government's hyperinflation.

"At present the state is controlling nearly 70 per cent of our activity," said Sr Adolfo

Quinteros, the drivers' leader.

The lorry drivers charge that a semi-monopoly of state enterprises and financial conglomerates is pressuring them to transport cargoes below cost.

"At present the state is controlling nearly 70 per cent of our activity," said Sr Adolfo

Mary Helen Spooner reports

on protests against a move to tighten tax controls.

## Reagan aide discusses Contra funds

By Nancy Dunn in Washington

MR ELLIOTT ABRAMS, the assistant secretary of state for inter-American affairs, was scheduled to meet in Panama yesterday with U.S. ambassadors to Central America and other Administration officials to discuss American policies for the troubled region. Among topics of discussion will be the implementation of a plan for giving \$27m (£19.3m) in non-military aid to Nicaraguan Contra rebels seeking to overthrow the Sandinista government.

The meeting follows the leaking to the press of a secret State Department paper written in preparation for the discussions. The four-page document views pessimistically the chances of victory soon for U.S.-backed forces in El Salvador and Nicaragua and says the Reagan Administration will seek additional funds from Congress for economic and military aid to the region.

"The armed Nicaraguan resistance is a potent force but still a long way from success," the paper says. "Public support is growing but still tenuous."

The document reaffirms the U.S. commitment to the so-called Contras peace process, undertaken by Mexico, Colombia, Venezuela and Panama, but it says "collapse would be better than a bad agreement."

Mr Abrams told the New York Times this week that the discussion paper did not precisely express his views.

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Allied Irish Bank	11 1/2%	Hill Samuel	11 1/2%
American Express BK	11 1/2%	Holland & Co.	11 1/2%
Argent Anchorage	11 1/2%	Hongkong & Shanghai	11 1/2%
Argus Bank	11 1/2%	Johnson Matthey Bkrs.	11 1/2%
Associates Corp. Corp.	12 1/2%	Knowsley & Co. Ltd.	12 1/2%
Banco de Bilbao	11 1/2%	Lloyds Bank	11 1/2%
Banco Hapoalim	11 1/2%	Edward Mansson & Co. Ltd.	12 1/2%
BCI	11 1/2%	Midland Bank	11 1/2%
Bank of Ireland	11 1/2%	Morgan Grenfell	11 1/2%
Bank of Cyprus	11 1/2%	Mountfield Corp. Ltd.	11 1/2%
Bank of India	11 1/2%	National Bank of Norway	11 1/2%
Bank of Scotland	11 1/2%	National Girobank	11 1/2%
Bank of Scotland Ltd.	11 1/2%	National Westminster	11 1/2%
Barclays Bank	11 1/2%	Northern Bank	11 1/2%
Barclays Bank	11 1/2%	First Bank of Mid. East	11 1/2%
Beneficial Trust Ltd.	12 1/2%	Norwich Gen. Trust	11 1/2%
BNP	11 1/2%	People's Trust	12 1/2%
BNP Paribas	11 1/2%	PL Finans. Int'l. (UK)	12 1/2%
BNP Paribas	11 1/2%	Provincial Trust Ltd.	12 1/2%
BNP Paribas	11 1/2%	R. Raphael & Sons	11 1/2%
BNP Paribas	11 1/2%	Roxburgh Guernsey	11 1/2%
BNP Paribas	11 1/2%	Royal Trust Co. Canada	11 1/2%
BNP Paribas	11 1/2%	Standard Chartered	11 1/2%
BNP Paribas	11 1/2%	TCB	11 1/2%
BNP Paribas	11 1/2%	Trustee Savings Bank	11 1/2%
BNP Paribas	11 1/2%	United Bank of Kuwait	11 1/2%
BNP Paribas	11 1/2%	United Microbank	11 1/2%
BNP Paribas	11 1/2%	Westpac Banking Corp.	11 1/2%
BNP Paribas	11 1/2%	Whiteway Laidlaw	12 1/2%
BNP Paribas	11 1/2%	Williams & Glyn's	11 1/2%
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## WORLD TRADE NEWS

## EEC plays down Reagan assault on unfair trading

BY PAUL CHEERSIGHT IN BRUSSELS

THE EUROPEAN Community has adopted a cool stance in the face of President Reagan's new assault on what he considers to be the unfair trading practices of the U.S. commercial partners.

President Reagan has told the EEC, in effect, to respect a ruling from a General Agreement on Tariffs and Trade (Gatt) disputes panel on subsidies for canned fruit or face unilateral action by the U.S. after December 1.

But European Commission officials were deliberately playing down the affair, observing that canned fruit was of minor importance compared with the steel trade issues which have to be negotiated by the end of this year.

Even before President Reagan made his weekend broadcast on trade policy, diplomats of the EEC had planned to discuss the canned fruit question today.

The issue has been alive since 1982 when the U.S. asked for a Gatt panel to adjudicate on its claim that EEC subsidies to processors had eroded the effect of tariff concessions it had received from the EEC for canned peaches, canned pears, canned fruit mixtures and raisins.

The Gatt panel reported last March. It concluded that the

### Ford ships Brazilian trucks to U.S.

By Ann Charters in São Paulo

SHIPS OF Brazilian-built Ford trucks from the cargo range, have begun to the U.S. A total of 1,500 units valued at \$30m (£22m) are to be shipped this year by Ford Brasil. Another 3,500, worth \$60m, are to be exported to the U.S. market next year.

Since then the EEC have been discussing whether to accept the panel report against the background of declining subsidies. The level of aid is designed to bridge the gap for processors between the price of imported fruit and the world price.

For peaches it is Ecuus 17.2 (52.7) per 100 kilos this year, down by 7 per cent against 1984 which had been down to 10 per cent against 1983. For peaches the subsidy is Ecuus 19.5 this year, compared with Ecuus 22.5 in 1984.

U.S. shipments of the products in question are about 6,500 tonnes a year with a value of \$10m (£7.5m).

The figures emphasize the political nature of the Reagan exercise, presumably designed to show an increasingly protectionist Congress that the Administration is prepared to take a tough line with those whose policies it sees as inimical.

They also explain why the Commission is anxious not to appear provocative when wider issues are up for discussion.

## Norway shipping sector suffers Nkr 1bn loss

BY FAY GIESTER IN OSLO

NORWAY's shipping companies made an overall loss of Nkr 1bn (287m) in 1984, according to Mr Wollert Hvide, president of the Norwegian Ship Owners Association.

He said that 50 of 83 companies had achieved a total profit of Nkr 2.9bn on the year's activities. But the aggregate losses of the remaining 33, totalling Nkr 3.8bn, leaving the shipping sector as a whole in the red. The figure covers profit (or loss) after depreciation, but before any allocations.

Mr Hvide said this year's further deterioration had stimulated a continued marked decline in the Norwegian-registered

fleet—which has shrunk by more than 10 per cent during the first half of 1985 in tonnage terms. The trend had been only partly offset by a rise in the Norwegian-owned fleet under foreign flags.

The Norwegian registered fleet at mid-year numbered 717 ships totalling 23.3m dwt, a fall of 37 vessels, and 3.5m dwt, from end 1984.

Polar Pioneer, a new drilling rig purpose-built for operation in Arctic waters, arrived yesterday in the Norwegian port of Bergen after a journey of several months from its Japanese building yard.

### EEC ministers to meet Gatt

BY WILLIAM DULLFORCE IN GENEVA

MINISTERS from the European Economic Community and the Gulf Co-operation Council (GCC) will meet in Brussels on October 1 to discuss ways to improve strained trade relations, M Claude Cheysson, the European Commissioner, said yesterday, Reuters reports from Riyadh.

The meeting was agreed during M Cheysson's talks in Riyadh with Abdulla Bishara, the GCC Secretary General.

Relations between the GCC

and the European Community

have been strained over European tariffs on Gulf petrochemical exports.

Christian Tyler examines Helsinki's long-standing agreement with the Soviet Union

## Barter trade keeps Finland in Bear meat

WHEN THE citizens of Helsinki tire of smoked reindeer meat and cloudberry sauce they can go to the Russian restaurant and order bear chops or bear steak. It is one of the benefits of a barter agreement with the Soviet Union that has been operating since 1947 and which, in some years, accounts for as much as a quarter of all Finland's foreign trade.

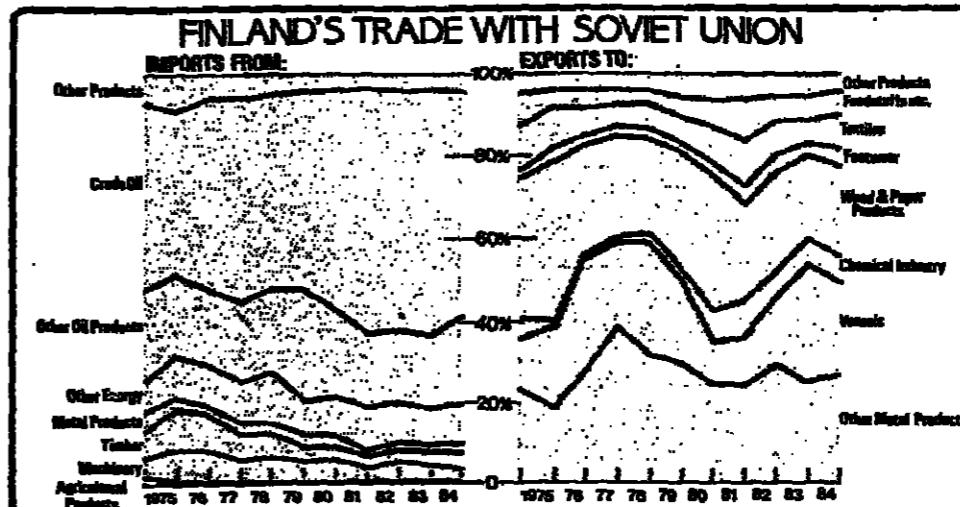
Barter trade is the favour of the moment in many parts of the world because so many developing countries are strapped for cash. Finland's long experience of it is unique in the West; and despite the disadvantages of an extraordinary dependence on the decisions of the Soviet central planners, it is hard to find anyone in authority who wants to see it ended.

"The people in the Soviet Union are real businessmen, the best quality I know," said Mr Yrjo Pässi, president of Kemiira, one of Finland's biggest companies. "They are very clever and very professional."

The Finns owe their statehood to the Russians, but fought them twice during the Second World War. They protect their independence and neutrality today partly by avoiding unkind words about the Bear at the door.

They insist, however, that the economic relationship is—with some reservations—positively beneficial and probably more so to Finland than to the Soviet Union.

An official of the Bank of Finland said: "For many Westerners it is hard to believe they behave towards us pretty well and of course we try to do the same. Finns have never been out of their skins to no



need to be now."

The two Governments have signed an eighth trade agreement covering the years 1986 to 1990, to coincide with the next Soviet five-year plan. Two-way trade is expected to exceed \$6 billion (£4.5bn) a year.

The arrangement was born after the war when the Soviet Union exacted reparations in kind, thereby forcing Finland to industrialize. It gave her a secure market, as it does still, for leading industries, especially textiles and shipbuilding.

Later, when the rest of Europe was being rocked by the two oil shocks of the past decade, Finland was able to pay for Soviet oil by increasing her output of manufactured goods for the USSR.

The barter agreement has also cushioned Finnish industry against recession in Western markets. Today, however, the

lopsided structure of the barter system, as registered by the clearing account, may not exceed 300m rubles.

In practice imbalances, even if they exceed the official limit, are never settled in hard currency.

No cash crosses the long Soviet-Finnish border. Trade is conducted in invisible "barter rubles," whose rate of exchange is variable at around FM 7.4 (86p). The account is managed on behalf of the two Governments by the Bank of Finland (an independent central bank supposedly accountable to Parliament).

When Finnish sellers strike deals with Soviet buyers, they are paid in Finmarkers by their own bank, via the Bank of Finland.

On the other side of the border, the payment agent is the Soviet Vneshtorgbank, or

foreign trade bank.

In the long run, according to Mr Huittu, Finland cannot place more than a quarter of its trade with the Soviet Union and must find new markets in areas like South-East Asia and the Middle East, or it must strike up a deal with the West.

"It is not a question of Russian ability to pay, but our ability to import," said another businessman. "Companies are being encouraged to diversify to the West, to find new areas of growth in Soviet trade. But there is a risk: people sitting back in the rocking chair and enjoying life for the next five years."

## U.S. team to visit Athens to probe technology leaks

BY ANDRIANA KERODIACONU IN ATHENS

A TEAM of U.S. State Department and Pentagon officials are going to Athens to examine with the Greek authorities the problem of military technology leaks to the Soviet Union.

The issue is holding up Washington's approval of an export licence for the sale of 40 F-16 fighter aircraft for the Hellenic Air Force.

The Greek Government said the team was expected in September. The purpose of the visit, it says, would be to "initiate discussions" on the

signing of an agreement for the protection of high technology products."

The U.S. has agreements which guarantee in general terms the security of military technology with most allied countries, but not with Greece.

Washington is concerned over the leakage of Western military technology to the Soviet Union through Greece, which was reportedly triggered by information disclosed by Mr Sergei Bokhan, a first secretary at the Soviet Embassy in Athens.

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## Elegance in the sand.

One of Germany's biggest export contracts since 1983 is in its final stages. Krupp Polysius\* is completing the sixth production line for the largest cement plant in the Arabian peninsula, near Riyadh.

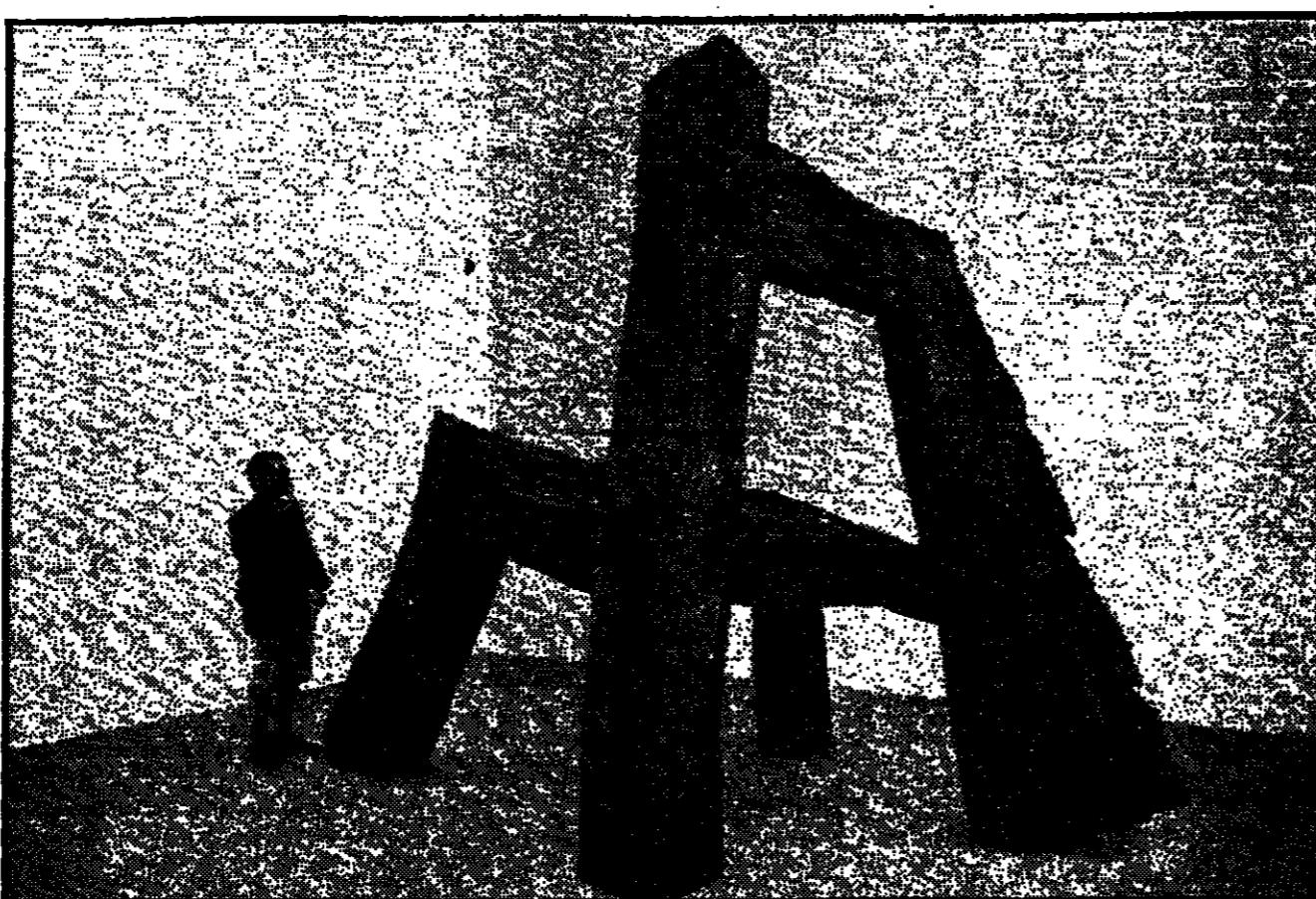
\*For more information on Krupp Polysius cement plants contact Polysius Limited, The Brocks, London Road, Ascol, Barts SL 5 8BG.

**KRUPP**

## THE ARTS

Galleries/Deanna Petherbridge

## On the march to the cutting-edge



Hugh Routledge

"The March" by Magdalena Jetelová at the Riverside Studios

One of the sources of unease about contemporary art is an awareness of the dreadful conformity of internationalism—the depressing knowledge that from New York to Nagasaki, to Newcastle artists are working from the same sources, with the same forms and within the same suspension of time which the current mode embraces. When one comes upon an artist whose work suddenly cuts a channel of understanding into another culture and another historical heritage, the sense of relief and interest is as acute as a visit to a foreign country.

So, although Magdalena Jetelová's wooden sculpture is not formed from a totally foreign alphabet, there is something in the way she intimates her sculpted fear and rough-hewn her material which is refreshingly unfamiliar and very Czech. Jetelová's mammoth oak sculpture overwhelms the gallery of Riverside Studios (until October 6) as if in imminent flight. Each piece, although massively heavy, is in no way inert: the chair is on the march, the staircase writhes into impossibility and the houses, fresh and unmarked from a ritual configuration, are crazily leaning into destruction.

Jetelová's work was first seen in Britain in 1983 when she had a staircase piece on show at Michael Compton's controversial New Art exhibition at the Tate Gallery. With works too monumental to fit into the Riverside gallery for the present exhibition, a large piece, "Výpravil" (The Doctor) is also on show in Kensington Gardens. This is the most obviously anthropomorphic of the sculptures, suggesting a running figure gathering impetus from a bounce off the wall of the Serpentine gallery and about to speed into the park. In this piece, the dark metal sections, which in other sculptures have only a supporting function, have become a positive part of the piece, bifurcating the heavy oak and projecting into outstretched arms. In the Riverside pieces, the human—or perhaps superhuman—dimension is implied in a more metaphorical manner. Chairs, stairs, doorways and houses, however schematic, are objects of familiar usage and the exaggeration or diminution of their logical proportions draw the easy attention to human presence or absence.

Transposition of scale is not

a new device. Graham Ashton, for example, used oversize furniture to suggest a family group in a chilling anti-war installation exhibited at the Serpentine Gallery some years ago. But in Jetelová's piece "The March," the gigantic scale of the chair is coupled with an equally exaggerated transposition of motion. As in Paul Klee's "Revolts of the Vladutes" of 1938 where the vultures are no longer the passive shapes of moving water, but themselves on the run, Jetelová's metamorphosed chair is striding away after the gigantic and Kafkaesque presence which has just vacated it. In "Stairs," the heavily scored treads, too large for human usage, have turned in on themselves and aspire to a certain distance from facile melodrama.

In fact, all the sculpture, although the wood is chiselled and roughly marked, is handled with a decisiveness and bold restraint that is very culture-

specific. Protruding wooden dowels punctuate the surface and hold shingles of wood in place in a tradition of direct craftsmanship which harks back to the medieval. Appropriately, in October Jetelová will be working on a sculpture connected with a forestry project while artist-in-residence at the Arbojan in Bristol. Her residency and exhibition at Arnolfini coincide with the Bristol-Czechová Festival at Venuel throughout Bristol.

At the Edward Topham Gallery (until October 5) Paula Rego, one of the British exhibitors at next month's São Paulo Biennale, exhibits a new series of crowded and sordid paintings. Rego's satirical iconography of anthropomorphic animals and nursery figures derives from Portuguese fairy tales and personal myths, and has become enriched over the years into a complex commedia dell'arte of characters and narratives. Although Rego's personal style is different from the gutsy, slashed outlines of most Philip Guston-inspired New Figurative, she shares with the movement a penchant for over-loaded compositions, psychological incident and anecdote. Her subject matter is typically sexist. She draws and redraws the archetype of a sexually potent child-woman, malicious, manipulative and mock-humorous, but she places this figure in absurd and bizarre situations she pokes fun at notions of male dominance.

Some of the new paintings are based on the happenings of the "Vivian girls," a theme loosely culled from an extraordinary unpublished manuscript begun in 1916 by Henry Darger, a Chicago hospital cleaner. "The Vivian girls are the heroines and the slaves of my stories. They have been enslaved by the adult world, but they always fight back;

sometimes by cunning and devious means. (They) are terrified of higher moral ideals as they know that these are the pretenses used by their gaoler-teachers to perpetrate the worst tortures." In "The Vivian Girls as Windmills" the girls rotate haphazardly around the painting to the sound of a transistor showing off their knuckles; a girl in a pose of carefree abandon is lectured to by an elderly haridan bird in a chair; girls are devoured by crustaceans or sewn up by skirted donkeys. In another work of the series, the girls in innocent gear are suspended in space and chain in the intervals of a polite animals' tea-party.

Rego has recently begun working on canvas and this has opened up a richer variety of paint handling and colour than in the previous works on paper or board, with areas of impasto or thin wash. However, she still paints on the floor, as if, in her own words, the painting is a play-pen with everything to hand in which she is free to manipulate the toys of her imagination. This method of working has implications for the organisation of the paintings, as it encourages the development of narrative with one incident suggesting another in a series of linked excursions across the canvas, untrammelled by a dominant pictorial schema. Pictorial space is no longer divided into compartments or narrative bands as in the older Opera and 1984 series, but activities are orchestrated within a more fluid and indeterminate space. In "On the Beach" and "Girls in Sun-glasses" the action happens within an almost coherent pictorial plane, unlike the crowded vertical perspective of the upright canvases. "On the Beach" is full of watery, suspended nudes, waving crabs and picnics, in a central figure, a rook in front of an elderly duck with a cigarette holder while an engrossed lady-bird voraciously bites one nipple.

The new canvases, however, full of quotations, inventions and an almost orgiastic sense of celebration, rather lack the significant element which has made Rego's work so novel: the cruel and satiric factor that makes one question uneasily her carefully controlled anarchy and sophisticated primitivism of touch. One needs to smell the sulphur whiff of the disruptor to shrink from the cutting edge of the play-pen.

## Ono Gagaku Kai/Albert Hall

David Murray

The Ono Gagaku Kai is a specialist Japanese band, founded almost a century ago to maintain the Imperial Court music which is called Gagaku. At Sunday's Prom they performed only music in the Togaku tradition, Chinese-derived, including a modern commission from the composer Maki Ishii (a sometime student of Boris Blacher). They appeared in resplendent robes and pantaloons and gauzy bonnets, moving severely according to prescribed forms.

All their music was slow, seemingly simple, more than a little heretic. The Gagaku sound is ancient and haunting, and so unlike the familiar that the built-in repetitions ensure the long, keening tunes. The instrumental basis is fixed: melody is carried by bamboo flutes and oboes (ryuteki and hichiriki), melodic punctuation supplied by

lute and zither (biwa and koto), and a sustained cluster-chord background—an unforgettable effect, like consolation from tutelary wind-spirits—by mouth-organs shaped like minuscule cathedrals. There is no clangour of gongs; what looked like one proved to be a hanging wooden drum, and the only other percussion is a broom that makes a dry click.

So far as pitch is concerned, Gagaku music is of course folk-modal, not to be aligned with Western scales. Notes are bent expressively, with a lot of sliding portamento; a flattened supertonic is prominent (perhaps only in Togaku). The "indescribable joy experienced by a single girl" is barbarian from the west of China upon discovering a "make" was just as decorous as "Ran Kyo," which enacts something that nobody, apparently, can remember. The mission to keep the thing going is undeterred.

## La Vie Parisienne/Theatre Royal, Glasgow

Rodney Milnes

There are many good things in Scottish Opera's new production of *La Vie Parisienne*, and one of the best is John Wells's translation which sets new, high and lively comic standards in this field. May it is a pity that he has to translate some of the characters' names—Poppy Teane for Metella, Little Willie for Bobinet, and it would take too long to explain the multi-language pun whereby Baron Condremarck becomes Count Soerkelpahar—but it is good to be reminded that British audiences would have been laughing cheerfully even before the curtain rose. Throughout, Methe's and Halévy's hideous double-entendres are wittily reproduced—verbally this is an evening of highly literate, deftly anglicised, highly French smart.

The music is safe in the hands of Sir Alexander Gibson, who knows well the secret of Ourenbach's *Bechuanas* lies in his handling but as in this one his reading is suavely shaped and nicely controlled, and once firstington nerves are conquered his chorus will doubtless follow suit. Vocally there are minor problems in that the piece was written for actors rather than singers, and some of the cast spend more time singing than putting their numbers across: words must take preference over notes in case of conflict.

But many catch just the right balance, none more so than Alan Opie, his vowels hilariously distorted in a dead-pan comedy

describes the new piece as "something of a full-blooded answer" to its predecessor. Where the Quartet-Movement was cast in four distinct sections, now there are four well-defined movements and a playing time that is almost doubled. In the intervening period his music has gone from strength to strength, gaining palpably in range and assurance with every new score. The distance travelled can be heard in the two quartets, for where the first is tightly buttoned, tending to close in on itself, the 1985 String Quartet allows a measure of relaxation and contemplation, despite all its intensity and unyielding busyness. Three of the movements begin with the same tremolando-drawn gesture, and their textures are permeated with tremolando and fierce attacks, but the third unexpected opens out into a *Calm* slow movement, setting a limpid

violin line against minimal punctuation from the rest of the quartet. It is rare, very beautiful music, a most striking image; the whole quartet indeed is deeply impressive.

Hoyland's high specific gravity was teasingly contrasted in the MusICA programme with another example of Morton Feldman's recent marmoreal style, the 45-minute Clarinet and String Quartet (1983), and with Gerald Barry's Cork for string quartet. Barry is a MusICA regular and the new piece, alternating passages in archaic harmonies with Anglo-Irish pastoralism and Baroque affectiveness, kind of some of the same freshness found in the music-theatre pieces staged in earlier series. The opera he is writing for the ICA, *The Intelligence Park*, promises to be engaging and quite unpredictable.

## Saleroom/Anthony Thorncroft

## Medieval manuscripts

The world's paleographers will be gathering in London later this month and to brighten their trip Sotheby's is holding an exhibition of illuminated manuscripts from September 20-27. They come from the largest, and finest, private collection of medieval manuscripts in existence, known as the "Comte Lesten" or "Officier Phillips" collection, which is normally held at Geneva University. Sotheby's is host to the show because all the manuscripts have been dispersed with the Saints altogether and is portrayed by Dr. Christopher de Hamel of Sotheby's which dwells on the idiosyncrasies of collectors of such manuscripts over the years.

They range in date from the 8th to the 16th centuries, and, as well as the pleasure of gazing at these miniature representations of medieval life represented in the hand-painted scenes, there is an informed catalogue by Dr. Christopher de Hamel of Sotheby's which dwells on the idiosyncrasies of collectors of such manuscripts over the years.

Manuscripts have always been collected by the richest men of their age (appropriately the current record price for a work of art at auction is the £8,140 paid last year for the 12th century Gospels of Henry the Lion at Sotheby's) and the commentary by Dr. Christopher de Hamel paints a graphic picture of the 15th century upper and aspiring classes visiting the bookshop/publishers collected in the Rue Neuve-Notre-Dame in Paris, or by the north door of Rouen Cathedral, and

ordering their own personalised Book of Hours, or buying a second hand copy. The bookseller would call on a professional scribe to provide the text and an illuminator the pictures.

The catalogue gives a fascinating insight of how mankind gained in confidence in the Middle Ages. In the earliest Books of Hours the original owner is often depicted in supplication outside the frames of the holy miniatures; by the end the owner has dispensed with the Saints full page, reading the Book in a private Chapel.

The exhibition races through collectors, from the Medici of Florence, through the 18th century rich, the Devonshires and Rothschilds to eccentrics like Sir Thomas Phillips, the biggest "yellowman," as he is called in all the display is an attractive antidote to the illuminated manuscripts on permanent display in the British Library.

In complete contrast Phillips is celebrating the 80th anniversary of Penguin Books by holding an auction on October 24 of its paperbacks. It is in two parts. The first consists of "investments" Penguins, including the collection of over 2,000 Penguin first editions, years of the company, acquired by a London businessman. The second is signed editions of more recent Penguins.

## Fassbaender/Wigmore Hall

David Murray

Filling in for the indisposed Lucia Popp, Brigitte Fassbaender offered an all-Schumann recital on Saturday with the pianist Norman Shetler. It did not sound like filling in. Her programme comprised the "Maria Stuart" songs, *Frauen-Hebe*, *und Leben* and *Dichter-Hebe*, and each cycle got a memorable dramatic performance. Not that the "Maria Stuart" songs really amount to a cycle, but with Miss Fassbaender that was the effect made.

On the concert platform, her vital concern for dramatic truth and musical sense alike is all too unique. She doesn't gesture much, nor intonate much, yet the execution of every cycle she does for the character, and each cycle got a new chapter in a personal history. She achieves that by seizing upon the musical nodes of her songs, not by adding effects—she convinces us that the point of this chord just here must be precisely what she made it. So such searching treatment was what made the "Maria Stuart" songs late Schumann easy to patronise as she achieves that by seizing upon the musical nodes of her songs, not by adding effects—she convinces us that the point of this chord just here must be precisely what she made it. 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PROF HEINZ WOLFF

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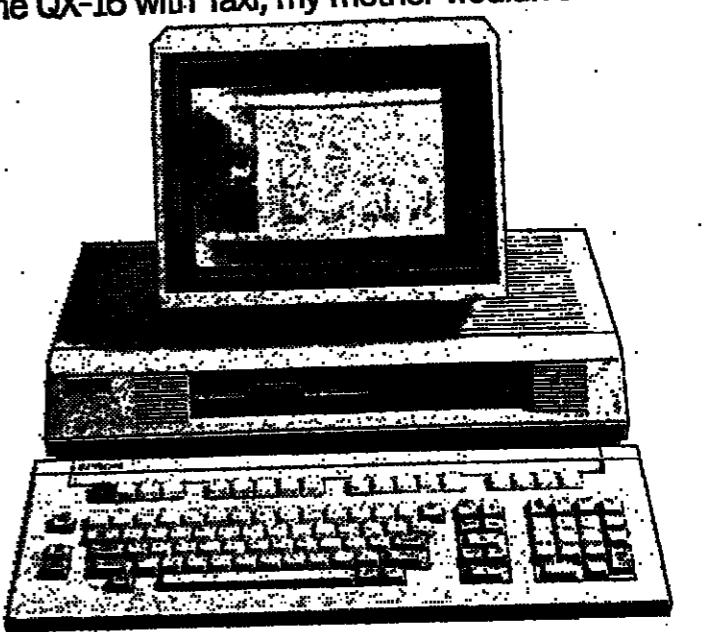
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"It seems to me," said Professor Heinz Wolff after our little test, "that had I acquired any other computer than the QX-16 with Taxi, my mother wouldn't like it."



**'TAXI'**  
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HEINZ WOLFF IS PROFESSOR OF BIOENGINEERING AT BRUNEL UNIVERSITY, CHAIRMAN OF THE EUROPEAN SPACE AGENCY MICROGRAVITY ADVISORY COMMITTEE, BROADCASTER AND CONFIRMED COMPUTER ADDICT.

## THE MANAGEMENT PAGE: Small Business

## Company doctor

## To the rescue in France

Paul Betts on a Briton's venture in corporate revival

IT IS surprising how many good business ideas are discovered almost by accident.

For what John Willis, 44, and his partners, started as an investment consultancy in France has developed into a thriving small business as a "company doctor." This has involved taking management control of British-owned enterprises which have lost their way in France and restoring them to profitability.

A frequent cause of disaster, he has discovered, is the failure of British management to understand the complexity of French business practices.

Instead of simply acting as a management consultant to companies with problems, Willis actually takes over the running of a company for a period, reorganising its management, firing and hiring people, establishing a product and marketing strategy and negotiating with banks. He usually stays as long as it takes to get the company back on its feet.

"In England this is known as company doctoring. But here in France it has so far not existed, especially for foreign-based companies which face difficulties because of the large differences in attitudes and personalities about business," he says. "There are lots of management consultants in France. But it is much more difficult to find someone not only prepared to give advice but who is actually prepared to execute it."

Willis, former computer marketing executive who has lived in France for 20 years, specialises in helping UK businesses or subsidiaries in France. After working for a variety of major international companies including British Aircraft Corporation, Sperry Univac, Raytheon and Compagnie Internationale pour l'Information (CII) before its merger with Honeywell-Bull, he started his company doctoring business in an investment consultancy partnership called Michael Rule, with two other accountants — both English. Willis then branched out with his own company, Rule Conseil.

At first he joined the partnership to manage overseas funds and investments for UK investors. The company doctoring began when he was asked by an investor to look into a mudist village near Perpignan in the south of France that had



John Willis: executes advice

chief executive of the new French subsidiary of Robert Moss. His job there has been a classic restructuring operation involving layoffs, negotiations with banks to improve the balance sheet, and the launching of a recovery strategy to develop new products and make the company profitable. He has negotiated with the French industrial development institute (IDI) to take a stake in the business and inject fresh funds. To expand the company's product base, he has arranged the acquisition of a small specialist manufacturer of bottle caps and tops for pharmaceutical use.

Foreign investors or UK-based companies owning small French subsidiaries find it difficult to get to grips with the French way of doing business, claims Willis. "It was not professionally run business. Although I knew nothing about real estate, I analysed the problem and recruited professionals to run the business. Two years later (by 1979) we were selling 80 to 100 apartments a year."

Despite the severe recession which has hit the French property and building business, the mudist village is continuing to keep its head just above water.

Willis's second big venture was to sort out the problems of a loss-making English language teaching school in Paris. The company had never been run by an English teacher. They seemed to have got the idea that teaching English was a charitable activity for the greater good of the British and of the foreigners.

Willis managed the company for a couple of years and returned it to profit.

He is now working on an industrial venture involving a medium-sized French bottle-top manufacturer called Etablissements Remy. The company was owned by a British concern called Scotfors which had gone into liquidation. Remy was then taken over by a UK mouldings maker, Robert Moss.

Willis negotiated the acquisition of the company from the receivers, took a direct 10 per cent stake in Remy and became

YOU WOULD think that to say, "I don't want to be involved in the day-to-day, I want to be the business development manager" would sound the death knell for an aspiring entrepreneur trying to bring money out of a couple of potential investors. After all, entrepreneurs aren't supposed to sit back and watch. They're supposed to be willing to sweat out the nitty-gritty day and night.

But at Cranfield School of Management this remark by student Stephen Farrow was seen in a positive light by the three real-world executives judging his proposal for a health and country club. It wasn't that Farrow lacked commitment, the judges reasoned. It was rather that he wisely recognised a limitation of his own that could potentially hold his business back.

"He's not the kind of guy to wander around at night and slap the members on the back," said Stephen David of Investors David Garrick in London. "He knows he needs help with that."

Farrow had explained that he planned to hire a club manager to handle the operations, perhaps even live in the club, but that he himself did not intend even to move from his West London home closer to the proposed site in Surrey.

Instead, commitment shone through in the £50,000 of his proposal. "I'm stretching as far as I can" — that Farrow was willing to plough into the venture. Another big plus for the 32-year-old was his experience in managing failed companies for the receivership department of a large London firm of accountants. The judges felt that he grasped the basic financial elements of his proposal.

Farrow was one of 16 students presenting proposals at the end of last month as part of the Entrepreneurship and New Ventures Option within Cranfield's 13-month Master of

Business Administration course.

The number of students selecting the option has tripled in five years to two-thirds of the student body, according to Professor Malcolm Harper, who runs the programme and helped create it about ten years ago.

Ninety of this year's 155 students signed up for the MBA.

"I'm not surprised," he adds.

"Two dozen say 'Yes, I want to start a business.' Some get it, but it's not for everyone."

A handful of past graduates has indeed succeeded with ventures conceived at the school. Their businesses include Connectair at Gatwick, a freight and passenger airline set up by an ex-British Airways pilot, the Moonraker Aviation crop spraying company based in Wiltshire, and Homeline, a computerised estate agency created and then profitably sold by a former civil engineer, Anthony Pearce.

The school, hoping to tap that experience, has invited Pearce back five years in a row to act as a judge. A key feature of the programme is that students have access to such outside professionals and can use them to get ideas on venture capital sources as well as specific guidance on how to refine their ideas. Clearly, the students are making it to the presentation stage this year more looking for a lot more than a grade.

Anthony Fraser, for instance,

## Entrepreneurship

## The Cranfield springboard

Jane Rippeteau reports on the diverse proposals to emerge on a leading UK management school's MBA programme

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was taken to task by judges who were appalled that he had planned to give up a majority stake in his company in order to attract an investor. They were further disenchanted when they found Fraser was going into marketing at Procter & Gamble and would run the proposed company only on the side.

But Fraser, a 26-year-old with a strong voice and an army career that has included service in the Falklands, was not cowed. His business idea — which would be structured and then sell a tobacco farm in Zimbabwe where Fraser had been born — should be structured. And he pressed them for further details during the pre-lunch drinks following the morning presentations.

Some students at that social session began shopping around for cash. Judges, some of whom are in a position to offer some, were handing out business cards and pointing the eager towards Business Expansion Scheme officers and Over-the-Counter traders.

Other graduates pressed for details of judges' complaints.

"They asked questions that got me thinking," said Tim Bristow, managing director of Midland Bank Venture Capital.

In the end, the judges were

most impressed with 33-year-old Roger Colwill, who won the

day's £250 award devised by Venture Report, the Bristol publisher of a journal designed to marry entrepreneurs with capital. Colwill had quit his job as financial director of a small manufacturing company, rented out his house, moved his family and invested some £15,000 (£1,500 tuition, plus costs) to attend Cranfield and hopefully realise his dream for The Car Clinic, a chain of top-of-the-line auto service and repair shops.

Colwill apparently pushed the right buttons. With a pilot operation involving his mechanic father to draw from, Colwill clearly had first-hand experience in the business. He intended to pay a premium for top-flight mechanics and independent believed that an inability to find and hire them would jeopardise the success of his venture. He believed that a steady flow of cash from the business would come from customers paying in cash on the spot, without large amounts diverted to an inventory. And he had thought about marketing.

"That part was very, very simple," he says. "We just did some research and service and garage trade in this country doesn't do any. We just told people we would provide excellent service in a clinical surroundings and they came."

Colwill plans to borrow £20,000 to supplement his own £20,000 in savings to set up the first unit, and build up to 10 units over three or four years.

Whether he or the others will succeed is yet to be seen. But perhaps the most telling sign of whether or not these people are entrepreneurs is that everyone asked — whether with high score or low — said they planned to go ahead with their venture.

Jo Kirk wants to raise £20,000 for a country clothes business. But if she can't, she says: "I'll go ahead anyway with my own money."

the Co-operative Development Agency, Breadmead House, 31 Panton Street, London SW1Y 4DR.

THE rate at which businesses are starting up in the UK is steadily increasing, according to the latest figures from the Department of Trade and Industry.

The number of new companies registered in June rose to 9,273 from 8,362 in June 1984. The figures do not include unlimited companies or companies limited by guarantee. Just over 54,000 companies were registered in the six months to June, up from 45,857 in the first six months of last year.

## In brief...

ABERDEEN Enterprise Trust has launched the Aberdeen Enterprise Venture Forum, a service aimed at introducing entrepreneurs looking for financial backing to investors seeking outlets for the capital.

It is the first of its kind in Scotland and the fourth in the UK. Investments of between £5,000 and £50,000 are available for a minimum 100 hour duration (including project work) to meet criteria laid down by the European Social Fund, which is partly financing the programme. The training is aimed primarily at pre-

owner."

It is felt that traditional sources of finance, venture capitalists and bank managers, tend not to be interested in small investments, while angel investors, funds and national, are tied to priority areas.

In discussions leading up to establishing the forum, it was felt people working offshore who had accumulated significant savings might be interested in putting money into a business, perhaps with a view to eventual fulltime involvement.

For further information:

John Freebairn or Graham Nye, Aberdeen Enterprise Trust, Aberdeen Business Trust, Aberdeen.

Centre, Willowbank House, Willowbank Road, Aberdeen AB1 2YG.

THE Co-operative Development Agency is arranging training in business skills in the UK for co-operative development workers and members of co-operatives. Courses are both full-time and part-time on a regional basis. The full training package has to be of a minimum 100 hour duration (including project work) to meet criteria laid down by the European Social Fund, which is partly financing the programme. The training is aimed primarily at pre-

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## CANADIAN NEWSPAPERS

## Southam raises wider issues

By Derek Coomber, recently in Toronto

TWO months ago, advertisements appeared in Canadian daily newspapers to urge shareholders in Southam, Canada's second-largest newspaper group, to give full support to board proposals designed to prevent the possibility of a hostile takeover.

Since then, the company has given itself breathing space by winning shareholders' agreement to diluted anti-takeover proposals and by arranging a share swap with Poststar, another leading publisher.

However, analysts question whether Southam's shark-repellent measures will prevent a takeover. Whatever happens, the saga has already provided a re-opening of the debate on the concentration of Canadian media ownership, especially among its daily newspaper groups.

Only two years ago, Southam and Thomson Newspapers, the other heavyweight newspaper chain, had been accused (and later acquitted) of conspiracy to reduce competition between them.

The verdict was not contested by the federal government of the day, that of M Pierre Trudeau, although that seemed inconsistent, given the earlier action by that administration in having appointed a Royal Commission (known as the Kent Commission) to examine the sharp reduction in the number of newspapers in 1980. The two groups had brought about a rationalisation of newspaper titles in various main cities of Canada.

Even more surprising, considering that the Kent report had pointed to findings of a previous investigation, in 1970, by the Davy committee, which had warned about the dangers of concentration of newspaper ownership, was M Trudeau's lack of implementation of Kent's recommendations in 1981. They were supported by seven volumes of research.

Now that there is a lack of competition created by the piecemeal action of Kent, the Southam/Thomson acquisition and the continued silence of Mr Brian Mulroney's present Progressive Conservative government on media issues—editors, commentators and journalists are starting to voice concern over further possible corporate encroachments on press freedom and choice of newspaper.

Their main worry is that even the Southam chain—with 15 daily papers across Canada, in-

cluding monopoly in three cities, a book store chain and a big stake in a television and broadcasting corporation among its C\$716.5m (US\$23m) assets—could be swallowed by a conglomerate.

Visions of asset-stripping and swing-out cuts in budgets to squeeze the last cent of profit out of the independent Southam group or some other vulnerable publishing operation, haunt the worries. There is a feeling that Mr Mulroney's administration will do very little, if anything, to stand in the way of any con-

spiracy in the Daily Telegraph in Britain.

Given such convoluted ownership in Canadian media and a generally open business climate in a rapidly recovering Canadian economy, it is no surprise that concern over protection of the country's newspapers has re-emerged.

The Kent commission found that chain-owned newspapers had jumped from 58 per cent of the national total in 1970 to 77 per cent in 1980. Daily papers which ceased publication during that period in-

trading, says Mr Peter Debarts, a commission member. The commission found considerable public concern over the near-monopoly which had been allowed to develop in most cities apart from Toronto, during the late 1970s and the start of the 1980s, but viewed to be personal. For instance, Winnipeg people whose papers had continued publication were not overly concerned about others having lost.

Three French-oriented chains controlled nine-tenths of French dailies in Canada and two-thirds of the English dailies were controlled by three other chains, so the commission started new by finding that the old big-city competition between dailies had disappeared.

Such concentration of ownership has repercussions for the 54 per cent of Canadians who, according to a sample by the commission, felt that their newspaper was part of their daily life. But apart from the commission's findings, Southam's 80 per cent stake in Solair Communications, which recently bid for Standard Broadcasting, and asking for Government measures to prevent further concentration, Kent urged "a definite strategy to reverse the trend."

Mr Debarts is a former daily paper and television journalist, now dean of the graduate journalism school at Western Ontario University.

He says: "Nothing has changed since the Kent report. The monopoly chain newspaper is here to stay in Canada." But he said the freedom of the press, and citizens' access to it, will attract more public attention because the Canadian Charter of Rights and Freedoms had become law by this year.

On Southam, Mr Debarts was concerned that the company's anti-takeover measures might be insufficient to prevent another takeover. "I think Southam should be protected from any sort of takeover by parliament," he said.

Mr Debarts said he favoured a moratorium or something until the impact of this matter is looked at very carefully." Analysts say the attractions of Southam to a bidder are obvious. The group had the largest circulation of newspapers across Canada last year (although Thomson has more titles and more than triple Southam's profits), has valuable real estate and could have tighter budgets. Income last year was C\$1.08m, profit C\$14.6m.



poration that wants to buy Southam.

Commentators' concern was underlined last month when the Canadian Radio-Television and Telecommunications Commission gave CHUM, a broadcasting company, permission to add two Montreal and two Windsor, Ontario stations to its 13 radio stations and six television stations. The CRTC was seen as taking its cue from the government's hardline approach to the Canadian Broadcasting Corporation, the state-owned network. It enforced reductions in budgets and staff, while encouraging more generous and free-wheeling approach to the private sector.

A few weeks before the CHUM decision, the CRTC had been called to referee another broadcasting takeover, when Star and Broadcast, which has a substantial stake in Capital Radio in London, was taken over by Starfire Communications, after a bid battle with the television station-owners. Starfire Communications.

Standard Broadcasting was virtually controlled by Hollinger Arms, a Canadian Black company, through a 49 per cent stake. Mr Black, a multimillionaire with interests in oil, supermarkets and a small newspaper chain in British Columbia, also holds a 14 per cent

stake in the Toronto Telegram, Montreal Star, Ottawa Journal, L'Action, Montreal Marin and Winnipeg Tribune. New daily papers had been started in Montreal, Ottawa, Kitchener-Waterloo and Vancouver, but had not survived, said the report.

Despite the failures, and partly because of the greater success of morning rather than evening newspapers in Canada, such as the Toronto Star and the One-Eyed Owl, had sprung up to capture 98 per cent of the circulation lost by the papers which had died between 1970 and the end of 1980.

However, the number of Canadian cities with two or more competing dailies had dropped from 19 to eight and in the 11 cities which had more than one daily, the number of newspapers had dropped from 26 to 22, added Kent. Part of this trend was brought about by Thomson Newspapers having acquired the FP paper group in January 1980 and, after following a deal with Southam, having abruptly shut the Ottawa Journal in August 1980. Part of the agreement also closed the Winnipeg Tribune and gave Southam both Vancouver dailies.

It was this agreement which led to the Kent commission being appointed, because the Government had begun to fear for the power of democracy in a climate of newspaper house

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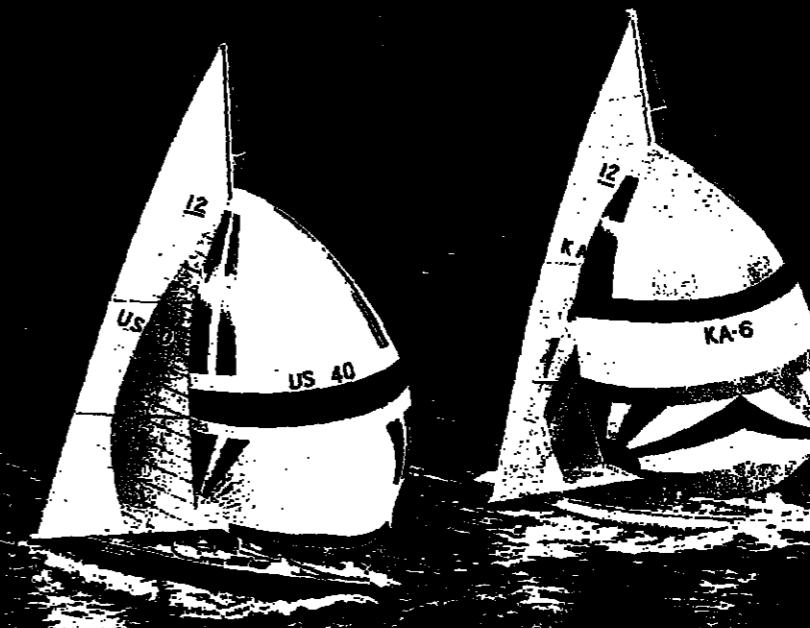
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## CHINA'S CAR INDUSTRY

## In search of ways out of the bicycle age

By Paul Lienert

CHINA is on the threshold of another revolution—but it is not readily apparent to first-time visitors arriving in Beijing.

On the drive into this city of 5m you will pass new Japanese cars, ageing Mercedes saloons, local Shanghai-brand cars, faded turquoise buses of 1950s vintage, odd-looking three-wheeled minibuses, olive-drab motorcycles with rickety sidecars, ancient tractors, single-speed bicycles and horse-drawn carts—literally a panorama on the development of automotive transport in this century.

As China emerges from years of isolation, the country's pragmatic leadership now seems eager to acquire modern technology and encourage foreign investment to spur economic and industrial growth.

China's motivation in its recent modernisation drive is different from that of its Asian neighbours. While Japanese and Korean automakers have mounted a major export push, China's still-primitive auto industry has not even begun to meet the growing domestic demand for motorcars. Although few private citizens can afford to buy a car—the Shanghai saloon costs about £6,500 whereas per capita income is less than £150 a year—the thousands of new commercial enterprises now sanctioned by the state are clamouring for vehicles.

To fill the gap, U.S. and European automakers are scrambling for a foothold in what is potentially the largest new-car market in the world. Some manufacturers view their prospective partnerships in China as a short-term source of profits, others as a low-cost source of auto parts and ultimately vehicle production for their home market.

Despite labour rates that are well below those elsewhere in the Asia-Pacific region (the average Chinese automaker earns 45 pence an hour), China will not pose a threat to European or American jobs for some years—not as long as its domestic market remains largely unfilled.

China's one billion-plus consumers are a powerful lure to Western car makers. Chrysler Chairman Lee Iacocca says he plans to visit China this autumn, following in the footsteps of Henry Ford II and

former General Motors chairman Thomas Murphy, who discussed possible cooperative ventures with China in the late 1970s. Ford Vice-President Lindsey Halstead, head of the company's Asia-Pacific operations, met Chinese leaders in Beijing in early August, reportedly to open talks on similar ventures.

American Motors, established the first U.S. automotive joint venture with the Chinese in 1983, acquiring for £11.5m in cash and technology a 31 per cent share of the Beijing Jeep Corp. The partners plan to begin assembling the Jeep Cherokee this autumn alongside a local model called the 7212 (developed from an old Soviet design) that has been in production since the mid-1960s.

Volkswagen last year inked a joint-venture pact with the Shanghai Automobile & Tractor Industry Corp, for local assembly of VW engines and Santana cars. VW plans to invest more than £80m in the venture, by far the largest undertaking of its kind between any Western firm and the Chinese. VW chairman Carl Hahn says the company expects to reach an annual capacity of 40,000 cars and 100,000 engines by 1987; the Chinese have even more ambitious targets, and say they plan to assemble a full range of VW and Audi models by 1990.

Automobiles Peugeot earlier this year agreed to a similar venture, but on a much smaller scale, with the local manufacturer in Guangzhou.

The joint venture will assemble several versions of the 504, including an estate and pickup truck, beginning in 1987, at an annual rate of 50,000.

Peugeot took more than five years to strike a bargain with the Chinese. The company's Citroen subsidiary reportedly dickered for many months with auto officials in Shanghai before losing a joint-venture contract to VW. The Chinese explained simply that the Germans offered newer technology and more capital.

One priority of such ventures is to rework the Chinese auto industry. The average Chinese automaker earns 45 pence an hour, China will not pose a threat to European or American jobs for some years—not as long as its domestic market remains largely unfilled.

China's one billion-plus consumers are a powerful lure to Western car makers. Chrysler Chairman Lee Iacocca says he plans to visit China this autumn, following in the footsteps of Henry Ford II and



Shanghai sedans, made with Volkswagen's help, on the production line

ment statistics, there are only 150,000 cars on the road—about one car for every 7,000 people, compared with 110m cars on American roads, or one for every two people.

As China has struggled to develop and improve its roads, housing and factories, the country's more than 200 vehicle and parts manufacturers have concentrated on building commercial vehicles rather than passenger cars, which in recent years have accounted for less than 5 per cent of total production. Just ten years ago, truck production topped 150,000 while the country's entire passenger-car output was a mere 1,000 units.

Officials say the factories, most of which are controlled by regional governments reporting to the central government, are underfunded and inefficient. Parts standardisation and quality control were virtually unknown at many of the assembly plants before the Government launched a massive drive four years ago to revamp the country's fragmented production system and centralise production.

By Western standards, production is slow. Before

AMC managers arrived in late 1983, about 10,000 workers assembled the same number of vehicles a year. Since then, the workforce has been slashed to 4,000, while production in 1984 doubled to about 20,000—still less than one-tenth the annual output of a typical U.S.

steady, controlled growth for assembly plant.

Assembly techniques at VW's joint-venture operation in Shanghai are only slightly more sophisticated than at the Beijing plant.

Now the centre of China's passenger-car industry, Shanghai is the headquarters of state-owned Shanghai Automobile & Tractor Industries Corp (SATIC), which produces a wide range of trucks, buses, tractors, motorcycles and automobiles.

The current model, which vaguely resembles an old Mercedes saloon, is still produced at the rate of 6,000 a year, but is scheduled to be replaced next year by the VW Santana.

The deal with Volkswagen, which recently took over management responsibility for the joint venture, is termed the largest joint venture in China's history. The pact calls for renovation of the present factory, construction of a new facility and eventual production of 300,000 cars and 500,000 engines a year by 1990.

VW is supplying SATIC with engines, transmissions, body panels and other parts from Germany, but the plan is to reach 80 per cent Chinese parts by 1990, according to Zhang. He says the factory hopes to produce 6,000 Santanas this year, up to 15,000 in 1986 and 30,000 by 1987.

The Santana, which sells for

the equivalent of £8,200 in China, will be joined in production later by VW's Golf/Jetta and the mid-sized Audi 100/5000 sedan.

China's recent move to attract more foreign investment, through its so-called "open door" policy, has encouraged European and U.S. car makers, drawn by the potential of the vast Chinese market and the promise of low labour rates.

Chrysler Executive Vice-President Stephan Sharif this year has directed a series of trade missions to China, which has expressed interest in building Chrysler's 2.3-litre four-cylinder engine under licence, as well as some Chrysler commercial models.

Ford has maintained close relations with the Chinese, selling them small numbers of trucks from the U.S. and cars from Brazil and West Germany. Ford has even trained Chinese research engineers at its technical centre in Dearborn.

The country's 150m urban workers, for example, still earn only £200 a year on average (China's 300m peasants average about half that income).

That helps explain why the bicycle, which costs about £40, is the most widely favoured means of transportation (there are 300m on the road, or one for every three people).

Private ownership of cars, with few exceptions, is still discouraged by the Communist regime, which emphasises public transportation (mainly buses and trolleybuses).

Chinese officials are alarmed

at the growth in car exports from Japan, and recently have insisted the Japanese transfer engineering and manufacturing technology as part of their export agreements with China. To date, the Chinese have only signed joint assembly agreements with the three smallest of Japan's nine car makers—Daihatsu Motor Co, Suzuki Motor Co, and Isuzu Motors Ltd—involved in production of light commercials.

Chinese car executives, meanwhile, are aggressively pursuing potential foreign investors, particularly in the U.S.

Earlier this year, Detroit automakers hosted a Chinese delegation that included top officials of the CNAIC. GM officials met executives such as GM President F. James McDonald and Ford Chairman Donald Petersen to discuss China's needs.

Chen Zutao, CNAIC executive vice-president and chief engineer, was part of the group that visited Detroit.

"We discussed some potential contracts with GM and Ford, mainly production of light trucks and major components like engines and axles," says Wang. "The U.S. has the most advanced technology in the world and the Chinese market and the promise of low labour rates.

Chrysler Executive Vice-President Stephan Sharif this year has directed a series of trade missions to China, which has expressed interest in building Chrysler's 2.3-litre four-cylinder engine under licence, as well as some Chrysler commercial models.

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## UK NEWS

Social Democratic Party conference

## Producer costs rise 0.2% as pound recovers

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

INFLATIONARY pressures moderated further in August when prices paid by manufacturers for fuel and raw materials were only 0.2 per cent higher than a year earlier.

That reflects the strong recovery of sterling, particularly against the dollar, during the spring and summer. Since its average for February, the pound has risen 20 per cent against the dollar, while commodity prices measured in dollars have tended to weaken.

The Department of Trade and Industry said yesterday the index for manufacturers' input prices fell 0.7 per cent between July and August. Two thirds of that was attributed to lower prices for food materials.

Recent falls in input costs have helped manufacturers to hold back their selling prices, which rose only 0.2 per cent (equivalent to an annual rate of 2.4 per cent) in August.

In the 12 months to August, manufacturers' selling prices rose by 5.7 per cent, almost as same as in the 12 months to July.

That is still below the annual inflation rate of retail prices of 6.9 per cent in August and underlines the Government's confidence that the inflation rate will fall to around 5 per cent by the end of the year.

## August retail sales may reach record

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

SPENDING in the shops in August remained at record levels in spite of unusually poor weather in much of the country.

The bargain sales and a confirming influx of tourists are believed to be the main reasons for the buoyancy of shop sales, although the cold and wet weather helped to boost sales of consumer durables such as televisions and microwave cookers, which normally do better in the autumn.

The Department of Trade and Industry said yesterday its index of retail sales volume rose to a provisional 118.6 (1980 = 100) in August.

That was slightly higher than the levels in June and July and the highest-ever level of trade, although the August figure is only provisional and may be revised.

## Coal pit deputies to vote on strike

BY PETER RIDDELL, POLITICAL EDITOR  
ONLY THE Social Democratic Liberal Alliance could offer the prospect of realistic economic expansion without accelerating inflation.

Mr Roy Jenkins, the former Chancellor of the Exchequer and ex-president of the European Commission, claimed yesterday in a rousing and witty attack on Labour and Conservative policies.

His speech to the SDP annual conference in Torquay, south England, was easily Mr Jenkins's most successful since he gave up the SDP leadership just after the June 1983 general election. It reinforced the high morale of the record numbers attending the generally harmonious and united conference.

Showing all the style and timing that made him a master of the House of Commons in the past, Mr Jenkins ridiculed Mrs Margaret Thatcher, the Prime Minister, for failing to produce results in "Year 7" of the new recovery "new calendar".

He also argued that Labour's attempt to revise the economic policy with the unions had been discredited. After last week's congress, he said, the Trades Union Congress was in its weakest position for 60 years and the "new model Labour Party" economic policy is a "waterlogged mink".

Instead, he said, the Alliance of

## Jenkins says Alliance offers best prospect for the economy

BY PETER RIDDELL, POLITICAL EDITOR

fered a £5bn budgetary boost to investment and industry through reduced national insurance contributions, increased public spending on construction and training, and expanded community programme and special help for the long-term unemployed.

That would be coupled with a firm monetary policy, involving full membership of the European Monetary System and an incomes strategy involving voluntary restraint backed by an inflation tax and a non-inflationary pay comparison system for the public sector.

That plan has been run through the Treasury computer model of the economy to show a near 500,000 cut in unemployment within two years, a 2.5 per cent inflation rate in 1987, and an 8.5 per cent of public sector borrowing by then and a current account deficit of just under £5bn.

Mr Jenkins said the impact on unemployment might be too cautious, but SDP leaders believe it was necessary not to raise expectations.

He maintained that the £5bn budgetary boost proposed by the Alliance would provide a realistic basis for expanding the British economy and would offer a message of sense and hope to Europe and the world.

Mr Jenkins emphasised that the

## Electoral system 'must be decided'

By Andrew Taylor

A PLEA by SDP party leaders not to have their hands tied on electoral reform, by forcing them to choose which form of proportional representation to support, was overwhelmingly rejected by conference yesterday.

A motion instructing the policy committee to present a recommendation for a specific system of proportional representation to next year's conference was easily passed, despite a recommendation from Mrs Shirley Williams, the party's president, that the amendment be opposed.

Mr Stuart Maxwell, a member of the conference, reaffirmed the party's support of proportional representation. But he said that it should not be forced into an early decision on which system to adopt and should keep its options open.

Mr Maxwell said that the party preferred the single transferable vote system of proportional representation. But he added: "Other proposals might have to be considered in the light of whatever circumstances prevailed when electoral reform can finally take place."

Mr Gwynne Jones, a former Labour MP, told conference that the SDP's support for proportional representation should be succeeded in deals with any other party.

□ The SDP reaffirmed its support for economic and political policies designed to move the concentration of power away from London to the regions.

A series of motions and amendments, committing the party to great local autonomy and higher investment in new jobs in the regions, was overwhelmingly passed.

□ The Social Democrats should work more closely with sections of the trade union movement to counter its anti-union image. Mr John Cartwright, the party's Chief Whip (parliamentary manager) warned last night.

Speaking at a meeting of the Association of Social Democratic trade unionists, Mr Cartwright said that, despite the support among trade unionists, the impression persisted that the SDP was an anti-union party.

□ The SDP, he said, should pay more attention to its anti-union image."



Jenkins: £5bn boost to investment



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Sales volume in the three months from July to August was about 5 per cent higher than the same quarter last year and nearly 2 per cent higher than the March-to-April quarter this year.

The provisional estimate of the value of retail sales in August, based on non-seasonally-adjusted data, was nearly 11 per cent higher than in August last year. So far this year, the average value of sales has been 9 per cent higher than in the first eight months of last year.

• F. W. Woolworth, the High Street chain store, is converting 12 of its 800 stores in an experiment aimed at reversing the decline in its fortunes.

The 12 stores are aimed at shoppers who want to buy small convenience and food products.

## Williams gives warning over changes in Ulster

A NY ATTEMPT to give the minority community in Northern Ireland a fair share of responsibility would involve "painful changes" in constitutional practices, Mrs Shirley Williams, the Social Democratic Party (SDP) president, told the Council for Social Democracy.

Mrs Williams was speaking after Mr Frank Devine, from Coventry, mounted a sharp attack on the membership of a joint commission whose report has established the framework for Alliance policy on Northern Ireland.

Mrs Williams responded angrily to his charge that the commission had excluded members of the SDP with credibility in the British-Irish community.

She deplored the tone of Mr Devine's speech, and warned that his call for an all-Ireland solution... would simply recreate the terrorist problem on a greater scale.

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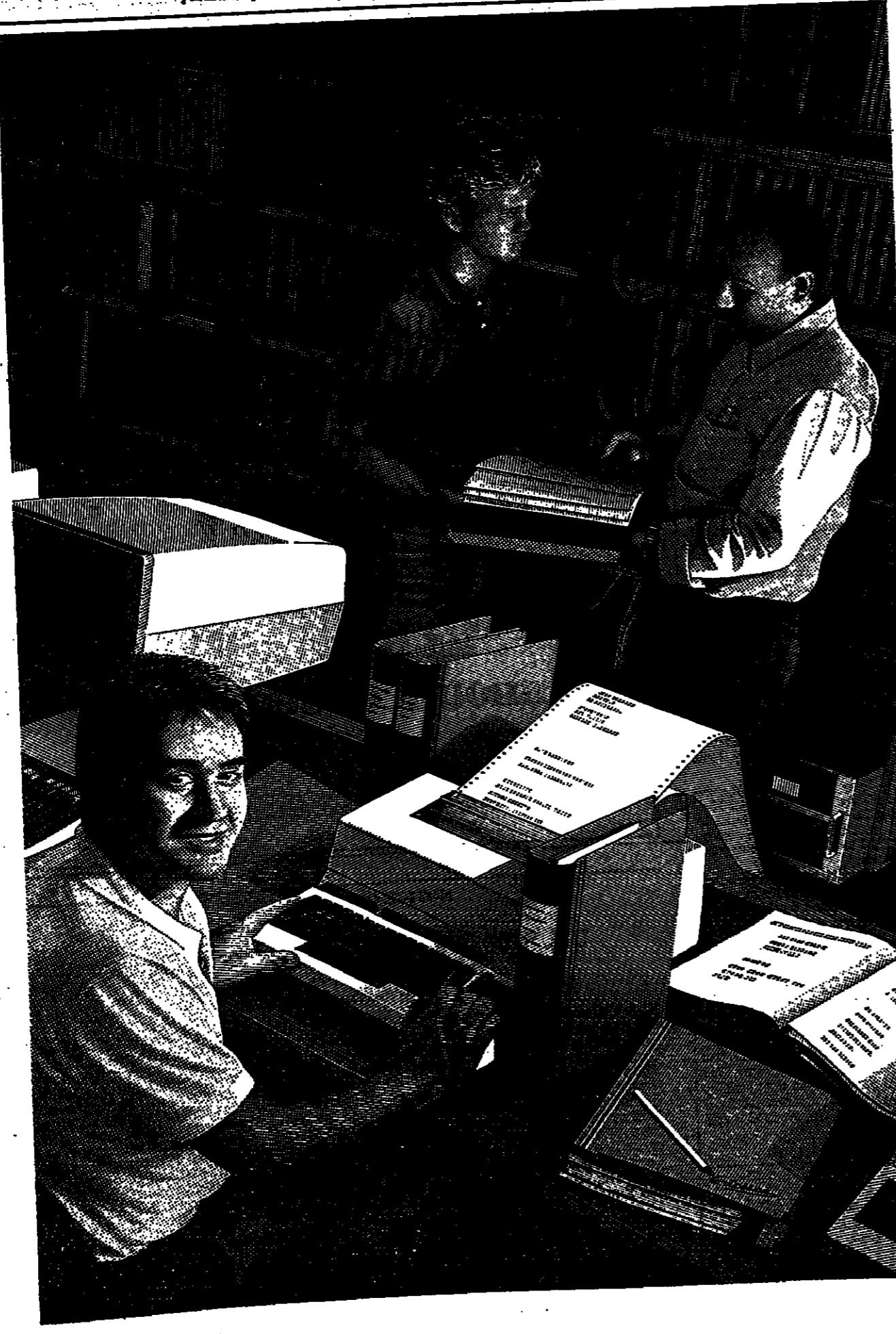


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## UK NEWS

Barry Riley concludes the series on self-regulation in the City

## Weighing up the Eurobond market

A MEETING next Friday in Zurich of the board of the Association of International Bond Dealers (AIBD) will consider key recommendations which could determine the position of the Eurobond market in the new regulatory framework proposed for the UK's investment markets.

The British authorities have decided that firms operating within the market and the market itself will be brought within the jurisdiction of the Securities and Investments Board (SIB).

The SIB has just recruited a Eurobond practitioner, Mr Richard Britton from Drexel Burnham Lambert, as its director of international securities regulation.

But the British authorities face a delicate balancing act. The Eurobond market has become centred in London - where some 75 per cent of business is thought to take place - precisely because of the lack of onerous regulation. And the SIB regards the promotion of the City of London as a major international financial centre as one of its main objectives. So how can the market be regulated without driving it away?

It is far from a peripheral matter for the City. The market is a hidden giant, with capitalisation estimated at \$350bn, making it something like twice as big as the UK gilt-edged market.

Some Eurobond practitioners have been offended at how little the British authorities know about the market. Last January's White Paper

per did not mention the market, even though it is Britain's biggest. The reason, of course, is that it is largely in the hands of foreign banks.

Conscious of their market's size and importance, Eurobond practitioners are resistant to the idea that they should come under the umbrella of another body such as the London Stock Exchange. "We didn't want to be a minority in somebody else's exchange," says Mr Ian Steers, the Wood Gundy executive who has headed an ad hoc working party set up jointly by the AIBD and a newer body, the year-old London-based International Primary Market Association (IPMA).

The AIBD has some 700 members active in the secondary market in Eurobonds. The IPMA is a more specialised body of 45 issuing houses, all of which are also members of the AIBD.

The Steers working party has considered various options and has tabled a list of alternatives for consideration by the AIBD this Friday and by the board of the IPMA a period of several years is in any case required.

There are two separate aspects to regulation of the market. One concerns regulation of the market itself, and in particular the question of whether the AIBD would be prepared to turn itself into a designated investment exchange. The other concerns the need of firms operating in London to register, either

with an approved self-regulatory organisation or directly with the SIB. There can be little compromise over the second aspect. So long as the legislation proceeds on schedule through Parliament the firms will have to be registered by the end of 1986 or cease trading in the UK.

Some - though not the SIB - argue that there could be more flexibility on the question of recognition of the market. It is widely regarded as impractical that within 15 months the Eurobond market could fulfil all the criteria laid down by the SIB for recognition - including independent lay members on the board, adequate disclosure of trading information, approved listing requirements and effective disciplinary procedures.

Key issues will be the degree to which the SIB might be prepared to dilute its requirements - the grounds that the Eurobond market is 99 per cent a professional market (as there are no Amex Mabs in Bournemouth or Baden-Baden to be protected) and that a transitional period of several years is in any case required.

As for the registration of firms, the idea of a link with either the Stock Exchange or with the National Association of Securities Dealers and Investment Managers (Nasdaq) appears to have lost popularity, though contacts have been made with both these bodies.

Direct registration with the SIB remains a possibility. But the more intriguing idea - and one being welcomed by the SIB - is that a new self-regulatory organisation (SRO) should be set up. This would not be specifically for Eurobond traders, but would cover the whole field of international securities trading in London. It would certainly include the fast-growing business in international equities, and might extend to shorter-term monetary instruments such as certificates of deposit.

The SIB is talking of an association of international brokers and dealers which might turn into something like the U.S. National Association of Securities Dealers which has spawned a highly successful domestic over-the-counter market. The SIB is seeking a com-

mitment from a number of prominent firms in the Eurobond market and elsewhere and will be writing to the AIBD in pursuit of this objective.

Many practitioners are suspicious of the idea. The prospect of whipping many nationalities into line is a daunting one, and the project has not yet got off the ground.

But the pressure is mounting. Mr Steers said: "People haven't got their minds around it yet. But we had better get down to it, or we will be supervised by people who don't understand the business." He says that this would have "horrifying consequences."

If the new international brokers' and dealers' SRO becomes established it will emerge as one of probably five SROs to be recognised by the SIB. The others would be the stock exchange, Nasdaq, the Association of Futures Brokers and Dealers and a proposed specialist SRO for investment managers.

A major cause for concern among

the big international securities groups is the danger of proliferation of such bodies. At the least, a major securities house could be required to join the stock exchange in respect of gilt-edged and other domestic business, the AFBD in respect of futures business and also the international SRO.

"Quite a muddled picture is emerging," complains a leading practitioner.

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## Companies to ballot shareholders on party fund donations

BY CHARLES BATCHELOR

THE CONSERVATIVE PARTY'S money managers must be feeling some unease at a small but growing number of announcements made at annual meetings of British companies this summer.

The chairmen of several large concerns have made promises to put the issue of political donations to their shareholders - and most of those are made to the Tory Party.

BET, the laundry, publishing and transport group, last week joined the ranks of companies that plan to canvass the views of their shareholders before confirming its £10,000-plus annual contributions to the Conservative Central Office.

If the trickle becomes a flood, and if shareholders do vote to stop or reduce their company's contribution - possibly rerouting some of their money to the Social Democratic/Liberal Alliance or even to Labour - Conservative funding might suffer.

The Labour research department's annual review of political contributions by British business showed last month that 313 companies donated £2.85m to political parties in 1984. No less than £2.2m went to the Conservatives.

British & Commonwealth, the shipping, air transport and financial services group headed by Lord Cayzer, a prominent Tory supporter, has tapped the donors' list for the past two years.

The research department - which is backed by unions - found 17 companies that donated £40,000 or more to party funds or to conduit organisations. Only one of these companies, BSM Holdings, the driving school, did not support the Conservatives. Its money went to the Liberal Party.

At the moment, the Tory treasurers do not appear to be concerned by the possible threat to their income. The Conservative Party does not disclose the source of its funds but it does receive donations from "many thousands of companies and even more individuals." Each, it believes, should be left to make up its own mind.

The issue of companies' donations to political parties was highlighted by a report published last May by a working group of the Constitutional Reform Centre, a research and lobby group, and the Hansard Society for Parliamentary Government.

The report proposed a voluntary code of practice for companies making political donations.

It urged that:

• Companies that wanted to make such donations should obtain shareholders' consent at the annual meeting.

• The boards of such companies should make a statement to share-

DONATIONS TO POLITICAL PARTIES IN 1984	
British & Commonwealth	£101,782
Shipping	£ 2,000
Allied-Lyons	£ 2,000
Racial	£ 25,000
Plessey	£ 25,000
Taylor Woodrow	£ 25,275
London & Northern	£ 25,000
Marks & Spencer	£ 25,000
Hawson Trust	£ 25,000
Guardian Royal Exchange	£ 25,224
AGB Research	£ 25,000
Commerzbank	£ 25,000
British Telecoms	£ 25,000
BSI Holdings	£ 25,000
Northern Engineering	£ 25,000
Imperialistic	£ 25,000
Newcastle	£ 25,000
Tradegar House	£ 25,000
Trusthouse Forte	£ 25,000

Source: Labour Research Department

holders explaining why they considered contributions to be in the interests of the company.

• Companies making donations should do so openly and not use conduits such as the British United Industrialists organisation, which channels money primarily to the Conservative Party.

The report also recommended that the law should be changed to require political parties to disclose the source and size of all significant donations and publish annual accounts. Of the four main parties, only the Conservatives have not published figures.

The question of corporate political donations was brought into prominence by the Trade Union Act of 1984, requiring unions to hold regular ballots on political funds.

Many people argued that, if individual union members were to be given the chance to decide on where union funds were spent, then individual shareholders should be given the same right.

The rise of the Alliance in the opinion polls has meant that the Conservatives are not necessarily the automatic choice of companies keen to play a part in the political process.

The Labour research department's team identified a few companies that had decided to ask for shareholders' consent to political donations. They were Foreign & Colonial Investment Trust, Lowland Investment, Majedie Investments, Willis Faber, a large insurance broker, and Witan Investments.

Since then some larger and better known names have joined the list of companies considering the issue.

Only Marks & Spencer and BET have gone as far as to say they expect to poll their shareholders by means of proxy cards.

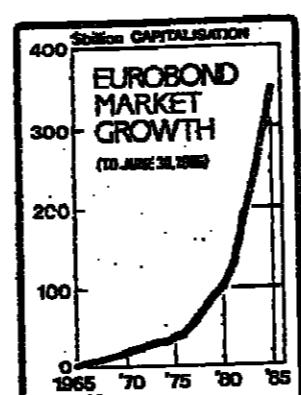
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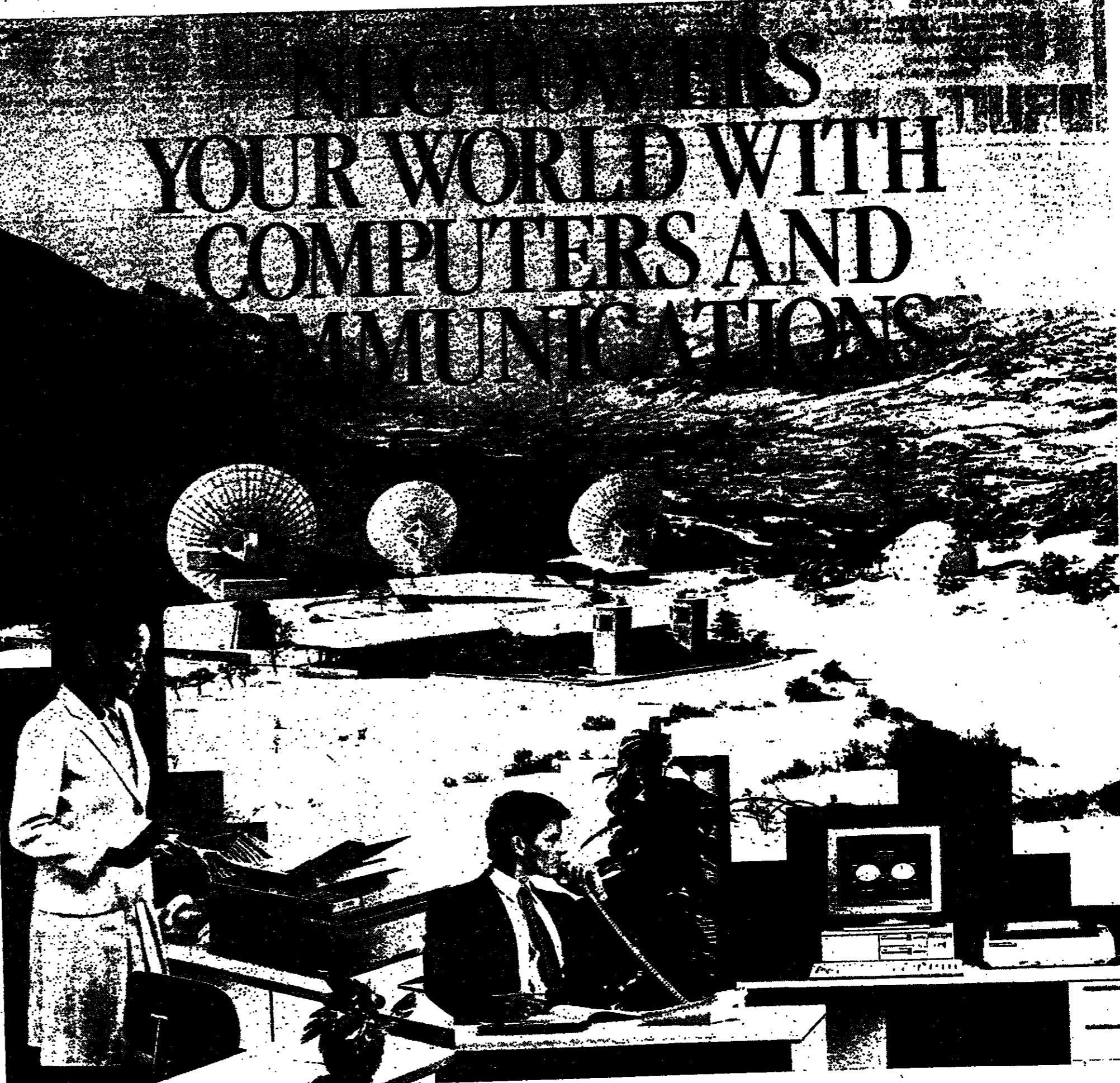


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Turnover for year ended December 31st 1984 was £2.8 million and for the six months to June 30th 1985 was £1.29 million.

For further information please contact the Joint Receiver:

Jim Kerevan  
Peat, Marwick,  
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711 Station Road  
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Tel: (0734) 584121

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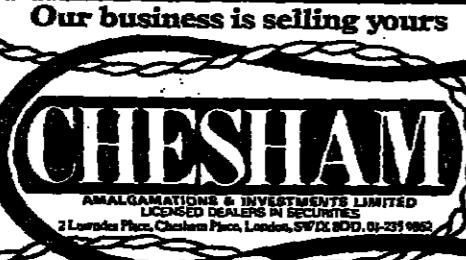
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## FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY  
Telegrams: Finantimo, London PS4. Telex: 595457

Tuesday September 10 1985

## A U.S. signal to Pretoria

PRESIDENT REAGAN'S decision to introduce a modest package of economic sanctions against South Africa may not necessarily succeed in averting the passage in Congress of a more far-reaching set of measures. But it has undoubtedly transformed the international political context within which western governments discuss the desirability or the utility of a sanctions policy against Pretoria. It should exert a profound influence on the political situation. There was little reason to suppose that it would be susceptible to political pressure from abroad, and certainly not on the core issue of political discrimination.

Today's circumstances are very different. In place of growth there is recession; the law-and-order situation is manifestly out of control; the constitutional reforms of 1983-84 have backfired, and the Government's political strategy appears to be in tatters; and the political crisis which is unlikely to be resolved without reforms to recreate political confidence.

### Limited Sanctions

It is sometimes argued that economic sanctions would be morally repugnant and counter-productive because their main impact would be to damage the interests of the blacks, and therefore should not be envisaged. Against the background of South Africa's double crisis—a domestic political crisis now multiplied by an external financial crisis—such perfectionism is out of place. It has long been obvious that the primary forces making for reform of South Africa's apartheid system have been partly the result of internal contradictions in the system itself, partly the consequences of economic imperatives. These imperatives have, over the past decade or so, brought about some liberalisation of the restrictions governing black employment and black residence, because the economy could not do without more qualified, and more stable black workers in industry and commerce.

### Political change

Conversely, it is equally obvious that foreign governments cannot expect to be able, on moral grounds, to be able to create, through sanctions, the conditions for reform if they do not already exist on the ground.

The question is not, then, whether foreign governments can bring about political change in South Africa through the blunt instrument of economic pressure, regardless of the domestic circumstances; but whether the constellation of forces at work in the republic at the moment is such that foreign governments have an opportunity to intervene significantly on the side of reform, not least by influencing the balance of the argument within the white camp. The utility of sanctions must be judged in the light of the circumstances.

The case against sanctions was strongest on pragmatic grounds during the 1960s and early 1970s, because the circumstances were least propitious: on the one hand, economic

growth was bringing about (slow) economic liberalisation; on the other, the Government seemed largely in control of the political situation. There was little reason to suppose that it would be susceptible to political pressure from abroad, and certainly not on the core issue of political discrimination.

Today's circumstances are very different. In place of growth there is recession; the law-and-order situation is manifestly out of control; the constitutional reforms of 1983-84 have backfired, and the Government's political strategy appears to be in tatters; and the political crisis which is unlikely to be resolved without reforms to recreate political confidence.

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## Guerrilla war in the classroom

OPTIMISTS who hoped that the long summer break would cool tempers in Britain's long-running teachers' dispute have been badly disappointed. If anything both sides now seem more intransigent than in July. Employers must be worried by the decision of the National Union of Teachers, the biggest and most militant body on the employees' side, to step up its programme of classroom disruption and to threaten short notice "guerrilla strikes". Newspaper stories of a comprehensive school in the north of England which is paying senior pupils to perform teachers' lunchtime duties in order to keep the school open can hardly improve the morale of Education Department officials.

The NUT, for its bravado, must be increasingly worried by the Government's firm line. Sir Keith Joseph, the Education Secretary, was not moved in last week's Cabinet reshuffle; in present circumstances this can only be interpreted as a vote of confidence in his handling of the dispute. The unmistakable impression is of both sides digging in to defend their positions, preparing it might appear for a crude winter war. Such an impression was reinforced yesterday when Sir Keith turned down flat some seemingly mild proposals from the moderate representatives of head teachers.

The head teachers advanced the superficially beguiling argument that so far as the 1985 pay claim is concerned very little separates the local authority employers and the unions. The education of hundreds of thousands of schoolchildren is being badly disrupted, it might seem, for the sake of £40m or so and because Sir Keith will not relax his demand that the NUT make negotiate new conditions of service.

### Aunty raises her voice

THE BBC may be a bit sniffy about accepting ads on its hallowed airways, but being realistic, it has just appointed itself an advertising agency. After one of the most secretive pitches recently seen—the four competing agencies were initially told to arrive at a given address, no names mentioned—agency Lowe Howard-Sparks-Campbell-Ewald has collected the BBC's first ever advertising account.

The corporate campaign, which needless to say will not include commercial television, is due to start shortly in the press and comes after a sticky six months for the BBC. There has been the licensing debate, the threat of job losses and the controversial Northern Ireland documentary among other problems.

**Submission**

If schoolchildren were like lumps of coal, Sir Keith's strategy of calmly sitting out the dispute might be justifiable. The NUT has proved itself as unreasonable and as intransigent as the National Union of Mineworkers and, it might be argued, must be similarly cowed into submission. The problem is that such an approach may not succeed for many months in the process some children's futures could be irreparably damaged.

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## SECTION III

## FINANCIAL TIMES SURVEY

## CHONGQING

Daunting tasks lie ahead if the city is to achieve a modern industrial base. Nevertheless much progress has been made in sweeping away bureaucracy and antiquated methods

## Testbed for changes

BY DAVID DODWELL

CHONGQING ought to be one of the world's great industrial cities, and one day may indeed become one. But at present, it stands as a rather dilapidated monument to the economic upheavals of Communist China's 35-year history, and an example of the formidable tasks facing Deng Xiaoping as he tries by means of pragmatic economic policies to revive a moribund economy.

The city, and Sichuan province around it, epitomise China's great strengths—a rich agricultural base and a wealth of natural resources—and at the same time its weaknesses: stubborn independence from central control, poor communications and an ailing industrial base.

In recent political terms, the city appears to harbour many officials and party cadres who are less than fully committed to Deng Xiaoping's policy of "opening up" to the outside world.

Yet Deng's policies are likely to stand or fall in a city such as this, not least because it has a special place in his mind. He was born just miles north of it, in Guangzhou.

In the heady years immediately after 1949, when the new Communist leadership, and a large proportion of the coun-

try's population, were imbued with an immense optimism for the future, Deng was in command of the South-West Bureau, with headquarters in Chongqing.

Not surprisingly, therefore, Chongqing has been one of a handful of testbeds for his economic reform policies.

Before being introduced nationwide, reforms on prices, wages and taxation have all been piloted experimentally in Chongqing. So, too, have new marketing and distribution systems.

## Provincial powers

Since February, 1983, it has had provincial powers in economic matters, and has been expanded by administrative decree to become China's 14th province, with just under 140 million people.

It can conduct foreign trade, and solicit foreign investment, yet it has, nevertheless, made slow progress—so slow, that Peking recently appointed a new first party secretary, and only last month brought in a new mayor from the national capital, a man with impeccable "Dengist" credentials, in what appears to be a bid to cut a swathe through the thickets of bureaucracy and political resistance.

Situated at the eastern extreme of Sichuan, China's most populous and one of its most resource-rich provinces, Chongqing perches dramatically

above the point where the grey waters of the Jialing river flow into the rich-red Yangtze before it rushes through the mountain gorges that, for the greater part of history, have separated Sichuan from the rest of China—and the rest of the world.

It has an uncompromisingly awful climate—a furnace in summer, and swathed in heavy fog for most of the rest of the year. There is a saying in Sichuan that when the fog clears, the city's down back. The climate alienates outsiders, and reinforces the aloofness of local people.

Commercially and politically, however, the city dominates Sichuan which, in turn, dominates the west of China, and one-fifth of the country's one billion people. This was recognised in 1956, when the imperial powers forced the Empress Dowager to open it to international trade as China's most inland treaty port.

Chiang Kai-Shek's nationalists government also appreciated its strengths—not least the protection from air-raids that the fog provided—when it was forced to retreat from Nanking before the invading Japanese army, in 1936. Chongqing served as the nationalist government's capital until 1947.

This period was a critical one in Chongqing's industrial development. Rather than leave Shanghai's factories at the disposal of the invading Japanese, Chiang Kai-Shek ordered them

to be dismantled and hauled up the Yangtze on barges. This massive human effort gave Chongqing a modern and ready-made industrial base. At the end of the war, most of the Shanghai industrialists left, but many of their factories stayed behind.

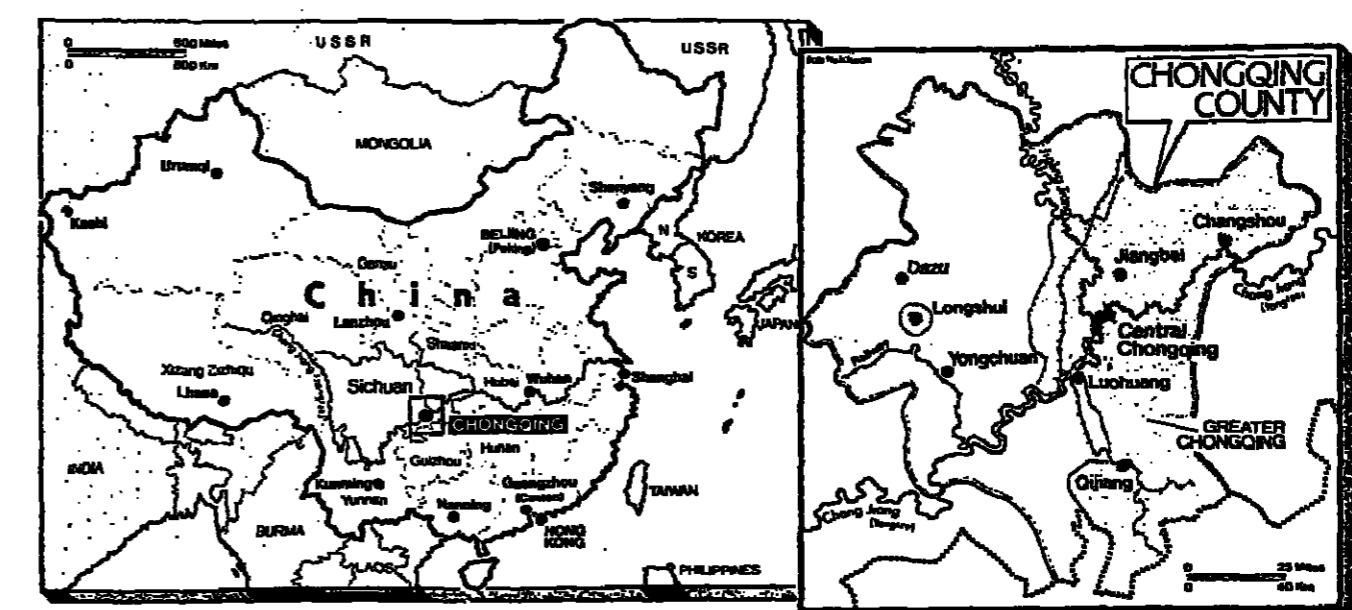
## Third line city

A second major impetus in the years after Communist victory in 1949 was the designation of Chongqing as a "third line" city for the development of defence industries, well inland and a safe distance from the Soviet border in the north or those of India and Vietnam in the south.

Today, Chongqing's 200 or so factories producing defence equipment—everything from tanks, tanks and warships to telecommunications equipment and titanium for the military—account for 20 per cent of the city's 1.6m jobs, and the majority of its modern technology.

It is upon this industrial base that Deng Xiaoping intends to build. Defence manufacturers have been pressed to diversify into manufacture for the civilian market—both to improve the supply of consumer goods in the local market, and to help adjustment after a politically-determined cut in arms production.

While many defence manufacturers have probably been upset by this upheaval, there



Chongqing has expanded to become China's largest city, with nearly 14m people.

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Other ventures have brought post-defence manufacturers into the production of such items as pin strips, telephone equipment, watches, refrigerators and washing machines.

These breakthroughs provide exceptions to an otherwise depressing rule: Chongqing's industrial base—the fifth largest in China—is seriously antiquated. Officials in Chongqing's economic commission say that 55 per cent of the machinery in use today was installed more than 20 years ago, and was old technology.

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have been some notable successes in adjustment. Among them are the Jialing Machine Factory, once exclusively a small-arms manufacturer, which now makes 300,000 motorcycles a year in a lucrative joint venture with Honda of Japan.

Other ventures have brought post-defence manufacturers into the production of such items as pin strips, telephone equipment, watches, refrigerators and washing machines.

These breakthroughs provide exceptions to an otherwise depressing rule: Chongqing's industrial base—the fifth largest in China—is seriously antiquated. Officials in Chongqing's economic commission say that 55 per cent of the machinery in use today was installed more than 20 years ago, and was old technology.

Today's 200 or so factories producing defence equipment—everything from tanks, tanks and warships to telecommunications equipment and titanium for the military—account for 20 per cent of the city's 1.6m jobs, and the majority of its modern technology.

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## Foreign Trade Corporations of Chongqing Welcome International Co-operation

## CHINA NATIONAL NATIVE PRODUCE AND ANIMAL BY-PRODUCTS IMPORT AND EXPORT CORPORATION, CHONGQING TEA AND NATIVE PRODUCE BRANCH

## Principal items Handled

Teas: "E Mei" Brand Chongqing Tuo Tea, broken black tea, Mengding, Pu Er Tea, Oolong Tea, "Bachan Yinhe" Tea, and others. Native Produce: dried fruits, preserved salted vegetables, canned preserved salted vegetables, canned assorted vegetables; canned dried fruits, ramie and its products, citric acids, ascorbic and essential oils, dried vegetables, salted vegetables, feeds, potted flowers, and a wide range of forest products.

## Person to contact: Xu Yuanjie

Address : 25, Qiansimenheng Street, Chongqing, China. Telephone : 43205, 42276, 43688. Cable : 4034 Chongqing. Telex : 60174 CIC CN.

## CHINA NATIONAL NATIVE PRODUCE AND ANIMAL BY-PRODUCTS IMPORT AND EXPORT CORPORATION, CHONGQING ANIMAL BY-PRODUCTS BRANCH

## Principal items Handled

Leather shoes, garments and other leather products, feather and down products, rabbit hair, bristles, bristle brushes, carpets, Sichuan raw goatskins, sausages casings, furs and their products.

## Person to contact: Sun Dahan

Address : 35, Linjiang Road, Chongqing, China. Telephone : 42298. Cable : 4032 Chongqing. Telex : 62182 ABCB CN.

## CHINA NATIONAL CHEMICALS IMPORT AND EXPORT CORPORATION, CHONGQING BRANCH

## Principal items Handled

Organic and inorganic chemical products, chemicals, dye-stuffs and dyeing mediums, re-agents, pigments, synthetic rubber, etc.

## Person to contact: Zhong Dehong

Address : 182, Minzu Road, Chongqing, China. Telephone : 45822. Cable : "SINOCHIMIC" Chongqing. Telex : 62183 CCIEC CN.

## CHINA NATIONAL MEDICINES AND HEALTH PRODUCTS IMPORT AND EXPORT CORPORATION, CHONGQING BRANCH

## Principal items Handled

Antibiotics, sulfonamides, antiparasitics, vitamins, sedatives, digestives, Chinese drugs, Chinese and Western patent medicines and health products, biochemicals, medicated tea-drugs, medicinal mediums, surgical apparatus, etc.

## Person to contact: Zhang Shaofeng

Address : 182 Minzu Road, Chongqing, China. Telephone : 45622, 45619. Cable : "SINOCHIMIC" Chongqing. Telex : 62183 CCIEC CN.

## CHINA NATIONAL CHEMICALS IMPORT AND EXPORT CORPORATION, CHONGQING BRANCH

## Principal items Handled

Organic and inorganic chemical products, chemicals, dye-stuffs and dyeing mediums, re-agents, pigments, synthetic rubber, etc.

## Person to contact: Wang Yiche

## CHONGQING 2

## Rural enterprises show strong growth

### Economy

WILLEM VAN KEMENADE

CHONGQING IS undoubtedly one of the largest inland ports in the world, with shippers of 3,000 to 4,000 tons battling 2,000 km up the powerful Yangtze river to moor at its berths.

Moreover, it is one of the great mountain-cities of the world where, from the tongue-shaped cliff that houses the central districts, one can enjoy breathtaking views of the sprawling metropolis and the two rivers—the Chongqing (Yangtze), Kiang and Jialing—that cut through the city proper and its multitude of satellite towns.

The thousands of steep slopes, the heat in summer and the winter slipperiness (caused not by frost but by smog) are prohibitive to bicycle traffic. Almost early, Chongqing is the only major city without bicycles in China. Instead, the streets are busy with peasants from the countryside hauling their goods in overloaded baskets to the city's free markets.

Although the area was a rural backwater before World War Two, the Kuomintang laid the foundations for Chongqing's later industrialisation. Under its auspices, hundreds of factories moved their machinery down the Yangtze to escape Japanese capture and started producing in the city.

In the 1950s and 1960s, expansion was impressive. During the first years of Communist rule, construction fund knew no limit. Complete highways were erased and winding, narrow alleys replaced by equally steep main roads and squares. Two major bridges were built, the first 1,968 ft long across the Jialing was finished in 1965; the second one across the Yangtze, 3,600 ft long, was constructed in 1980. A cable car links the central berthing and ferry area with Jiangbei, the northern suburbs.

Despite its scenic cosmopolitan appearance, Chongqing is an older examination, a drab city lacking modern facilities. Much of its housing is poor, blackened by weather and

smog. Its streets are muddy and many of its factories obsolete and inefficient. But after years of slow development, rapid progress is at last being made.

According to the annual report by the Chongqing Statistical Bureau, gross industrial and agricultural output in 1984 was 16,281 Yuan, up 15 per cent up from 1983. Industrial output was 11,576 Yuan (up 15.7 per cent), making Chongqing seventh industrial city in the country.

However, despite six years of readjustment from heavy towards light manufacturing, the proportion of heavy industry is still too high (38 per cent) and the growth in heavy industry was an excessive 15.8 per cent.

Officials say that growth in heavy industry has consumed too much energy and has not improved living standards.

Light industry last year was 5,500 Yuan (up 14 per cent). The most desire new consumer products showed spectacular growth rates—motor-cycles by a remarkable 2,340 per cent, rural enterprises account for a large part of the growth in light industry. Their number climbed to 104,400, up 110 per cent from 1983, with 237,000 people from the rural surplus labour force newly-employed in small factories.

**Investment**

Investment in Chongqing's rural towns and townships is largely coming from the non-state collective sector.

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### Main exports by products

	Figures in US\$m	
	1984	1983
Medicines	11.57	9.34
Cereals, oil, food-stuffs	11.01	2.65
Textiles	10.52	2.58
Native and animal by-products	8.54	3.75
Light industrial products	5.29	3.70
Metals & minerals	4.67	3.74
Arts and crafts	3.66	0.11
Chemicals	3.20	0.32
Silk and silk products	1.73	1.82
General machinery	1.54	0.63
Other products	0.75	0.23
Total	62.82	23.44

### Ownership of consumer durables

	(Items by 100 working families)	
	1981	1984
TV sets	50	87
Refrigerators	1	23
Tele recorders	3	10
Video recorders	3	31
Washing machines	1	Negligible

Source: Chongqing Municipal Price Bureau.

for a government that is trying to encourage more industrial investment in Chongqing's rural hinterland.

A common thread in the diverse experiences of Chongqing's outspokes and easy-going people nevertheless seems to be that while the reforms of the past five years have only just begun to bear fruit, they are becoming more industrial and bringing benefits.

One retiredbare worker, in his two-room apartment high above Chongqing's fog-bound street, is quick to provide personal anecdotes. "Life has improved rapidly in the past two or three years but if you think back to the years just after the revolution, when we were all so optimistic about the future, then we have had many disappointments.

"If you had asked me then

whether we would be today, I would have said we would have achieved much more," he says.

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## Daunting tasks lie ahead

### Industrial modernisation

DAVID DODWELL



Beibei Glassware factory, south of Chongqing, where antiquated machinery is about to be replaced in a major modernisation programme.

THE BEIBEI Glass Factory, perched high above the Jialing River, west of Chongqing, is 40 years old and looks it. Like most of the city's 7,500 factories, the need for modernisation is urgent and improved performance is all but impossible without it.

Compared with other companies, Beibei is fortunate. As a renowned exporter of "Lotus Flower" glassware, it has easy access to the foreign exchange needed for advanced technology equipment.

It has just ordered a \$1m electric and gas furnace from Britain. When the equipment is installed it is likely to boost output by 80 per cent. Moulds also from the UK—Beibei's biggest export market—are expected to improve quality and reduce dependence on hand-blown glassware.

Also on the shopping list, but from local suppliers, is automatic mixing equipment. At present, ingredients are mixed by hand. A new 12m Yuan factory building is under construction to house the modernised plant.

This is an almost negligible sum when set against the city's needs. Not only will factories be competing for these funds but also those departments responsible for essential infrastructure—roads, water supplies, a modern telephone system and so on.

Officials talk optimistically of "foreign friends" entering joint ventures and arranging necessary foreign exchange funding but, in many cases, their hopes are likely to be disappointed. Most local industries, almost 2,000 km inland, are poorly placed to compete in foreign markets with manufacturers in China's open coastal cities or economic zones. Often they are treated in a vicious circle, likely to remain uncompetitive until they improve efficiency and productivity through the installation of advanced equipment from overseas.

Mr Jin Lie, head of the Technique Introducing Office in the local Economic Commission, says 700m Yuan (\$241.8m) is to be set aside annually over the next five years for modernisation but foreign exchange funding is going to be severely fought over.

policy falters in any way, then the city is clearly going to pay a high price.

He warns of the risks of allowing the coastal cities to develop rapidly without parallel development in China's interior, but can provide no hint as to what Peking is willing to do to avoid them. "The action to avoid them is to open up inland provinces for economy and a wide range of natural resources," he says. "If inland cities are not opened up, and their industries remain backward, then this will soon begin to inhibit the growth of coastal cities."

When Mayor Xiao Yang talks of Chongqing becoming a "planned commercial economy," it is to such farce that he is referring. It is striking how the main gains from this sector, rather than state-controlled factories in the admittedly short period since the new policies were introduced.

Newly-introduced "direct buying relationships" between major manufacturers such as Jialing Motors and their many suppliers are also likely to improve efficiency.

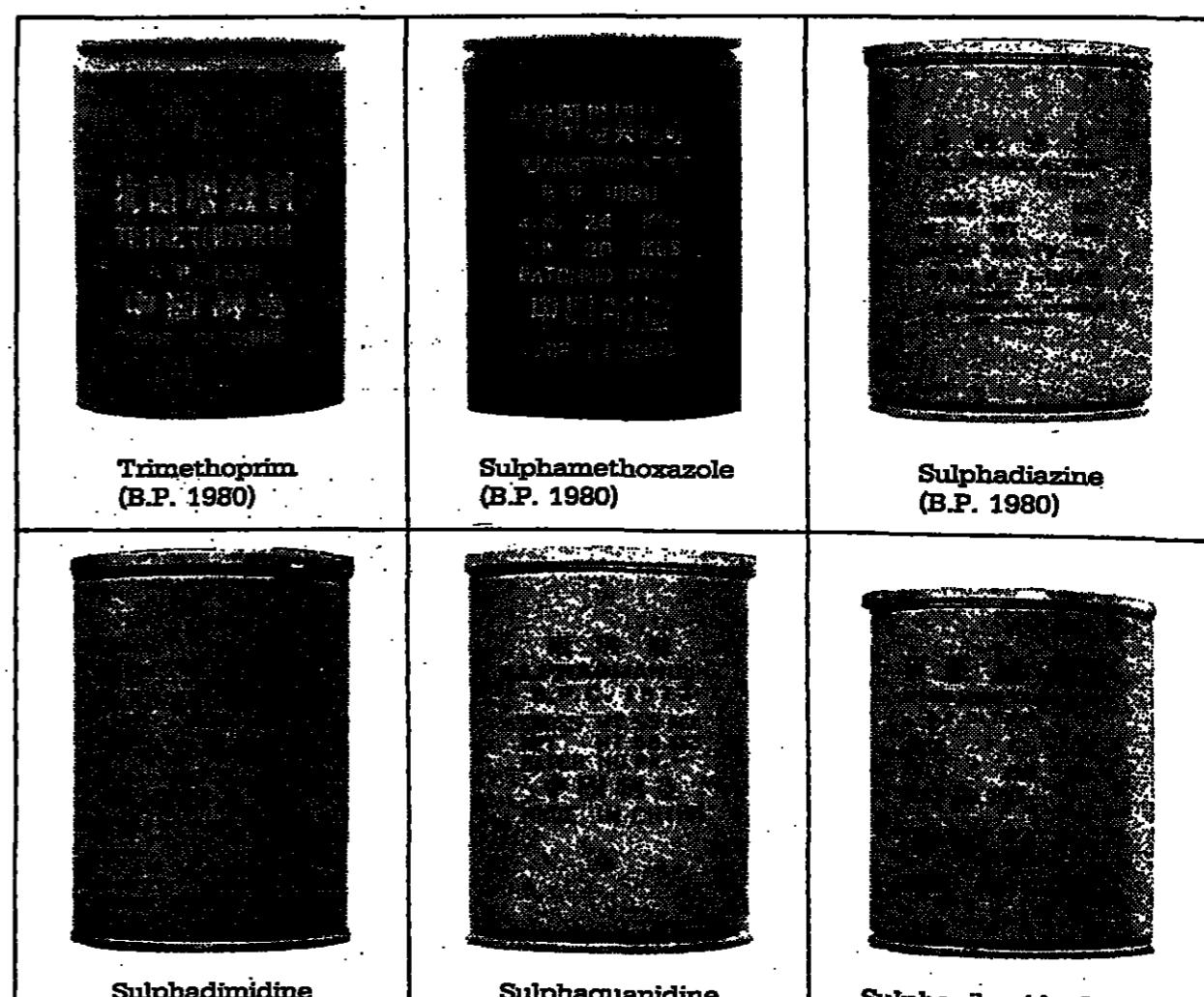
Other moves intended to oil the wheels of the city economy, providing a better environment for modernisation, are the shift to defence manufacturers into civilian manufacture, encouragement of industrial investment in the city's rural hinterland, and improved wholesale and retail distribution throughout the city.

To see Chongqing's creaking industrial machinery at work is to receive a glimpse of the daunting challenges facing administrators not just in Chongqing, but nationwide.

Mayor Xiao Yang admits the scale of the problems facing him, but is far from admitting that they cannot be handled. He is 55 this year, and is due to retire when he is 60. He has five demanding years to prove he is right.

## Quality Sulfonamides from Chongqing, China

Chongqing Branch of China National Medicines and Health Products I/E Corp. supplies the finest Sulfonamides for pharmaceutical industries of the world.



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Cable: "SINOCHEMIC" Chongqing  
Telex: 62183 CCIEC CN

## Cereals, Oils & Foodstuffs from Chongqing

Chongqing is situated in the Central Subtropical Zone with a mild climate, plentiful rainfall, fertile soil and rich agricultural resources. Endowed with these favourable natural conditions, Chongqing exports a wide range of quality products of the choicest ingredients. Our exports include canned

meat, canned fruits and vegetables, salted vegetables, goldhook (dried shrimp) chilli bean sauce, "Tianfu" peanuts, "Tianfu" cola, and candied fruits. All of them are characteristic of "The Land of Abundance" and have won much praise from our customers in the world market.



China National Cereals, Oils & Foodstuffs I/E Corp., Chongqing Branch  
35 Linjiang Road, Chongqing, China  
Tel: 44180 Cable: 4029 Chongqing Telex: 62191 CQCF CN

## CHONGQING 3

## Making up for lost time

FEBRUARY 1983 was a watershed for Chongqing. That was the period when Peking decided to give it provincial powers in all economic and trading matters.

After three decades, during which all economic contact with the outside world was forbidden, local officials have spent the past two years busily making up for lost time.

After 1984 and the dissolution of the South-West Bureau (of which Deng Xiaoping was once head), power throughout Sichuan province was wielded in Chengdu, the provincial capital. From Chongqing's point of view, it was only in 1983 that this was remedied. Chongqing remains subordinate to Sichuan province in all economic areas, but otherwise now answers directly to Peking.

The price paid by Chongqing over these 30 years has never been calculated, and probably never will. Ambitious cadres headed in uncertain numbers to Chengdu, where promotion prospects were brighter, depicting the quality of local administration.

## Catch 22

As a municipal authority, subordinate to departments in Chengdu, project proposals would take three to four years to win clearance. No direct contact was allowed with foreign trade partners, or potential foreign investors.

"There was very little foreign investment," comments one senior official, who was keen not to elaborate. "The city has been 'no more than a buying and selling centre,'" notes another official.

Chongqing, like a myriad of other Chinese cities, was caught in a classic "catch 22" trap. Old plant and equipment, condemned as a large majority of its manufacturers to low efficiency, low productivity and poor quality output. This makes exporting impossible, which, in turn, rules out the chance to earn foreign exchange that could be used to buy advanced equipment and technology.

The new powers gained in 1983 are intended to provide a critical step towards resolving this problem. They entitle Chongqing to contact potential foreign trade partners directly, by 1986. He says. That would

allow independently ventures involving foreign investment of up to US \$5m, and to power, otherwise, directly to Peking. Incentives that can be offered to potential investors are a must for local negotiation.

Mr Chen Zizhong, head of the city's planning commission, says deals can now be sealed within a year.

Even with such powers, attracting foreign investment is likely to be an uphill struggle. Trade with a city so far inland may carry hidden costs. Its bias towards manufacture, for the domestic market makes it hard for local partners to find foreign exchange to finance purchases from overseas, and at the same time limits the ways in which foreign partners can contribute joint venture earnings into foreign exchange.

He, nevertheless, acknowledges that Chongqing faces substantial trade deficits for the next two years as new, advanced equipment from overseas is installed, only partly paid for by concessional finance or supplier credits.

amount to about \$600m—seven times the 1984 level of trade.

"Without a big increase in exports, the opening up policy can not last long. We would not be able to pay for investments in new plant and technology," he warns. "If trading partners want to forge lasting economic relationships, they will have to both import and export."

At the same time, state enterprises will be able to keep 70 per cent of their foreign exchange earnings, compared with 30 per cent in 1984.

The incentives Chongqing can offer to the city are still being drafted, but there is a clear recognition that they will have to be more favourable than those offered in open coastal cities.

Mr Xiang Haowen, head of Chongqing's bureau of foreign economic relations and trade, comments: "Nothing has yet been finalised, but we have considered lower wages, lower land costs, entitlement to larger shares of the domestic market, and cheap supplies of raw materials, electricity and transport. We have been trying to ensure not just a good profit, but a sound profit."

To help galvanise foreign investment and trade, the local branch of the Bank of China has been expanded from 12 people in 1983 to 90 people today. It occupies a new headquarters building, which cost over 4m Yuan to build.

The bank is likely to play an important part, not just in channelling funds into priority projects, but in evaluating projects proposed by local manufacturers and the municipality.

This is all the more so since March this year when Peking ordered greater vigilance over the use of foreign exchange following what it felt to be a too-rapid depletion of the country's reserves.

One change that will not be welcome to manufacturers without opportunities to earn foreign exchange is reversal of a policy whereby foreign equipment could be paid for in local currency so long as the cost was offset by the foreign exchange received from the state year by year, but at the same time will be able to keep more of the foreign exchange that it

earns.

In future, manufacturers that cannot pay for foreign pur-

## Clampdown

It will be doubly difficult in the wake of Peking's recent clampdown on the use of foreign exchange for all but priority projects, and in view of the fact that China's coastal cities are in a much stronger position to win export contracts—and thus earn the foreign exchange needed for investment—than inland Chongqing.

But the newly-appointed mayor, Xiao Yang, is keen to keep the city's energies. Even more important, he is aware that he has only a limited amount of time to demonstrate to Peking that a municipality almost 2,000 km from the coast can regenerate itself through independent pursuit of foreign trade and investment opportunities. Trade must account for 10 per cent of output by 1990, he says. That would

mean a leap in China's foreign trade and investment, and a large majority of its manufacturers to low efficiency, low productivity and poor quality output. This makes exporting impossible, which, in turn, rules out the chance to earn foreign exchange that could be used to buy advanced equipment and technology.

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change needs unchanged from 1984 at \$140m, Chongqing will get a foreign exchange allotment from Peking of \$40m, down from \$100m last year. This means the municipality will have to find \$100m itself for the purchase of foreign equipment or technology, compared with \$40m last year.

At the same time, state enterprises will be able to keep 70 per cent of their foreign exchange earnings, compared with 30 per cent in 1984.

The incentives Chongqing can offer to the city are still being drafted, but there is a clear recognition that they will have to be more favourable than those offered in open coastal cities.

The immediate problem facing the Chongqing Government is the need to invest in infrastructure, which is likely to be expensive, and unlikely to offer opportunities to earn foreign exchange.

The single highest priority is an international airport. Rail-way electrification, road improvements and the construction of a container wharf on the Yangtze, come close behind. Investment is called for in a railway ground-receiving station, and in new telephone exchanges.

chases out of their own foreign exchange earnings will face a choice between four more complex options: they can appeal for cash from the local planning commission—which is fiercely contested over; they can buy locally made equipment; they can seek leasing deals; or they can try to make counter-trade arrangements.

While Western exporters will in certain circumstances accept counter-trade terms, best hopes probably lie in deals with the Soviet bloc. Sichuan, with its growing agricultural surplus, might be well placed to exploit such opportunities.

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## Priorities

In the city, which is the most densely populated in China, new water and sewerage systems are urgently needed. A new thermal power plant is planned, along with the rebuilding of a number of mines and the construction of a coal washing plant.

Priorities for industrial renovation are steel and aluminum plants, chemical factories, machine building factories, and other heavy industrial enterprises. A new fertilizer plant is planned, as are plants making glass, ceramics, and animal foodstuffs.

As Mayor Xiao Yang faces up to these immense challenges, there can be no doubt that other inland cities in China will be watching closely to see how he performs in attracting foreign investment.

Unlike coastal cities which are in a peculiar and privileged position to attract manufacturers, Chongqing's problem is that of the great majority of the country's towns and cities. Xiao Yang asks, perhaps not rhetorically: "Without foreign exchange, how can we do anything?"

## Foreign co-operative ventures

Chongqing's ventures with overseas partners from 1984 to first half of 1985. Values in \$m						Foreign partner by origin
Project name	Form of venture	Total investment	Period of venture	Chinese partner	Foreign partner by origin	
Yangtze Jiang Hotel	Joint venture	20.0	15	City Travel Service Co. Hong Kong		
Chongqing Hotel	Joint venture	5.0	12	Chongqing Hotel Co.	Hong Kong	
Extension of Chongqing Guesthouse	Joint venture	1.0	8	Chongqing Guesthouse/Hong Kong Bank of China		
Qingling Motors	Joint venture	1.57	10	Chongqing Motor Industry Co. Japan		
Yuyuan Construction and Decoration	Joint venture	0.38	10	City No. 1 Building and Hong Kong Construction Group		
Fu Li Hua Decoration	Joint venture	0.1	10	City Chemical Development Co.	Hong Kong	
Colour TV Production Line	Lease	2.1	3	City Electronics Co. Japan		
Towelling Machinery	Lease	1.1	3	Chongqing Knitting Factory	Hong Kong	
Plastic Bag Blower	Lease	0.47	3	Chongqing No. 3 Plastic Factory	Hong Kong	
Wu He Air-conditioning Electric Services Centre	Joint venture	0.1	10	City General Machinery Industrial Co.		
Packaging For Drinks/Foods	Lease	0.27	3	Jiangbei Drives and Foodstuffs Co.	Hong Kong	
PVA Grinder	Compensation trade	—	—	Sichuan Vinylon Co.	U.S.	
Chicken Farm	Loan	2.3	—	Chongqing Chicken Farm		
Refrigeration of Aquatic Products	Loan	1.45	—	Changjiang Fishery Co.	Denmark	
Refrigeration of Oranges	Donation	0.65	—	Orange Research Institute	EEC	

## PROFILE: TIANFU COLA DRINK CORPORATION

## More than the real thing

WHILE THE U.S. giants Coca-Cola and Pepsi-Cola take their worldwide battle for sales into China's own more modest market, Tianfu has its own more modest copies of cola-type drinks prominent among which is its own Tianfu Cola Drink Corporation.

"If you want the real thing and a lot more, drink Tianfu Cola," is the jingle from Zhang Shengping, manager of the Chongqing plant. Tianfu, which in Chinese means "place of heaven," is an historical name for Sichuan province.

Tianfu is intended not only to slake thirst. Mr Zhang explains, it is based on the Chinese herb baishao, a kind of peony, and as such is said to fight cancer, neutralise food poisoning, stimulate the heart, regulate blood circulation and improve tolerance to high temperatures. This is an important quality in Chongqing, renowned as one of the most fiercely hot cities in China.

Tianfu Cola is one of more than 20 Chinese-made cola look-alikes. They are being promoted hard at the same time as the Coca-Cola corporation of

the U.S., with four factories inside China, is trying to win a foothold in the market. Pepsi-Cola has also entered the fray, opening a factory in Shenzhen, the special economic zone bordering Hong Kong.

"And it had an extra even bigger advantage: there was no need for foreign exchange. We bartered it."

Priority is now being given to improving the product and packing. Tianfu Cola is packed on a line in Guangzhou while the Qingdao Soft Drinks factory makes a cola based on famous Lantauan water source nearby. In China's far north-east, competitor in Dalian produces Ginseng Cola. The Tianfu Cola Drink Corporation has been in business since 1984 of RMB 180 million, eight times as much as in 1977 when the company started at Sichuan Drink Factory. It first produced the cola drink in 1981.

Profits and taxes, not clearly distinguished yet in the transition year of replacing profit transfers to the state by tax payments, were RMB 8m. The plant has five production lines, four made in China and a fifth imported from East Germany.

Tianfu Cola is exported in its local very sweet form to Hong Kong, Macao and South-East Asia. "Sweetness can be adjusted for each market," says Mr Zhang. The German line, with parts from Hungary, produces 200

WILLEM VAN KEMENADE

## The Machinery and Metals and Minerals Industries of Another Fog City Wish to Do Business with Buyers throughout the World

Chongqing, the Fog City, is a major industrial base of China. Chongqing's machinery, metals and minerals are exported exclusively by Chongqing Branch of MACHIMPEX (China National Machinery I/E Corp) and Chongqing Branch of MINMETALS (China National Metals and Minerals I/E Corp) respectively. They are foreign trade corporations under the Ministry of Foreign Economic Relations and Trade of China and are authorized to deal directly with foreign concerns.

We welcome business in processing clients' materials, processing to buyers' drawings/samples, and manufacture under buyers' brand names. We always uphold the principle of honouring contracts and keeping good faith. With the many flexible ways of doing business we adopt, we wish to further develop trade relations with buyers throughout the world.

Exports of Chongqing Branch of MINMETALS include alloy tubes, bars, sections, aluminium sheets, aluminium plates and anti-skid plates which conform to YB604-66 AA of the U.S. and 1-8 JS of Japan, top grade galvanized iron wire, black annealed iron wire, common and shaped round nails, celestine, calcium



metal, tungsten and molybdenum products, artificial glass wool, castings and malleable iron pipe fittings.

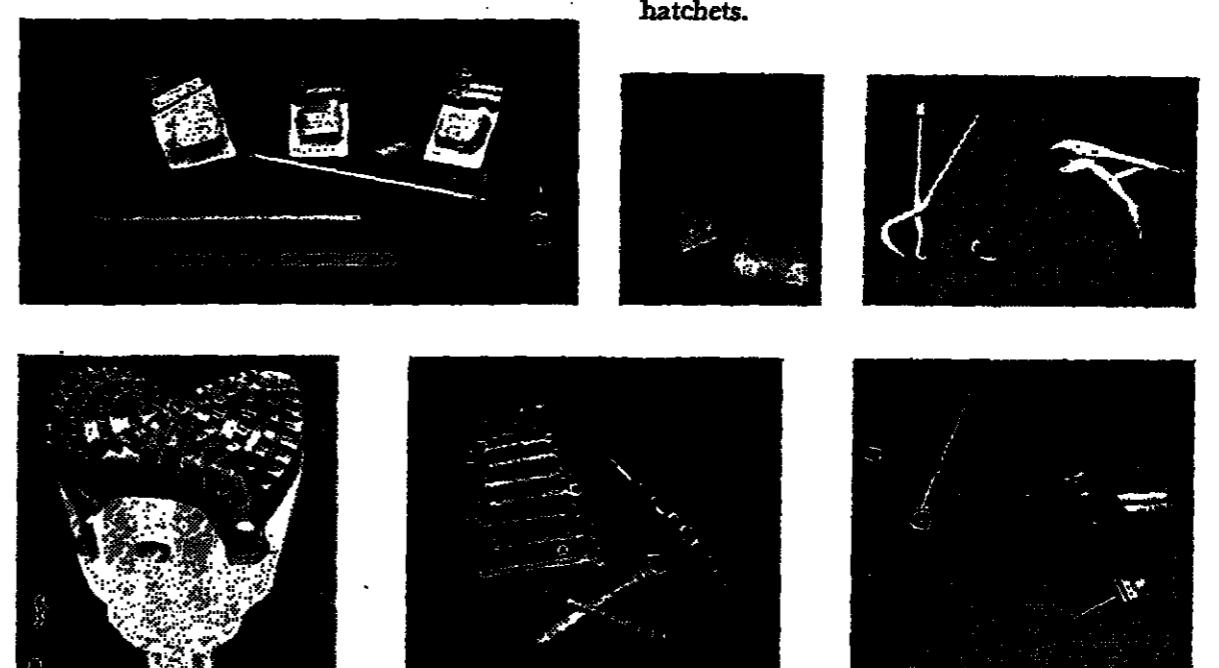
Chongqing also exports "ATLANTIC" welding electrodes which have won approval from Shipping Register Bureau of the PRC (ZC), Lloyd's Register of Shipping (LR) and American Bureau of Shipping (ABS).

Exports of Chongqing branch of MACHIMPEX include 3 cone bits which conform to ISO 3395 and American Petroleum Institute (API) Standards, machine tools including hobbing machines, radial drilling machines and cylindrical grinding machines.

With its about two dozens of well established tool manufacturers, tools account for a significant part of Chongqing's exports. Products include car tools, wrenches (box socket sets, four way wrenches), grinding tools, wood

working & plastering tools (scrapers etc.), pliers (vices, carpenter's pliers), screw drivers, welding and cutting tools, cutting tools, measuring tools and hammers (claw hammers).

Chongqing offers all kinds of tools in about 100 specifications, among which many have been chosen as Quality Products in National Appraisals. These include stainless steel tapes with metric and inch scale, ABS shell steel tapes, sharp-edged "FLYING ARROW" steel files, and "SWORDFISH" multipurpose hatches.



We have ample supplies and guarantee punctual delivery of all of our export commodities. Enquiries are most welcome. Please contact us today for catalogues or further information.



China National Metals & Minerals I/E Corp, Chongqing Branch  
Square Bldg., 235 Minsheng Road, Chongqing, China  
Cable: "MINMETALS" Chongqing Telex: 62180 GMC CN  
Tel: 46388



China National Machinery I/E Corp, Chongqing Branch  
Square Bldg., 235 Minsheng Road, Chongqing, China  
Cable: "MACHIMPEX" Chongqing Telex: 62180 GMC CN  
Tel: 44206

## CHONGQING 4

Robert Thomson looks at three aspects of communications in the area

## Special status may hasten developments

### New policies

EVERY MORNING and late every afternoon, and occasionally at times in between, there is a communication breakdown in Chongqing. Traffic entering and leaving the city is brought to a standstill because good roads are, literally, few and far between.

An inadequate road system is part of a network of communications problems Chongqing must overcome if it is to realise the ambition of becoming the industrial and communications centre of south-western China.

Chongqing has plans for upgrading the overcrowded roads.

The seventh five-year plan,

beginning next year, provides for the building of a four-lane road between Chongqing and

over-burdened, and it takes four days for a letter to reach Peking.

The land-locked municipality has a natural communications advantage, sitting as it does at the confluence of the Jialing and Yangtze rivers. That blend of land-locked isolation and accessibility made Chongqing the natural choice for the Chinese capital during the "anti-Japanese war."

The Nationalist Generalissimo Chiang Kai-Shek, realising

Sichuan's capital, Chengdu, and it is hoped that the road will be further upgraded to freeway status during the eighth five-year plan.

In all, the municipality controls 7,000 km of roads. The deputy-director of the Chongqing Economic Commissions communications section, Zheng Yushu, admits that the present collection of roads is "narrow and they zig-zag."

"Our plan is to improve the quality of the road surface, and to expand the width of the road," says Mr. Zhang. The wisdom of the plans cannot be faulted, but whether the money is available to undertake large-scale road renovation is another matter.

A key communications project in the seventh five-year plan is the electrification of three rail lines radiating from Chongqing.

Electrification of a single Chongqing-Chengdu line is expected to be finished by the end of this year.

Next year, work will concentrate on the electrification of the line between Chongqing and Guiyang in Guizhou province, to the south, and after that, the line between Chongqing and Xiangtan in Hunan province, to the north-east. Mr. Zhang estimates that electrification will double the freight capacity between Chongqing and those three cities.

In the meantime, freight will remain stalled in warehouses as the over-extended railway system struggles to cope with growing demand. The movement of key export produce has been guaranteed, but other produce will have to wait in line.

Last year, the railways carried 9.25m tons (up 13.4 per

cent on 1983) of the 14.1m tons of freight moved in Chongqing (up 16.9 per cent), while 4.67m tons was carried by ship (up 13.9 per cent) and 383m tons by road (up 12.2 per

cent).

The Chinese government has attempted to lure trade away from rail transport by lifting charges for short-haul journeys of 100km or less by 37 per cent. This should provide an incentive for producers in Chongqing to use river shipping to transport their goods. However, river transport (in a time of traffic "tension," as the Chinese call it) has, strangely, stagnated.

Passenger volume on waterways has dropped throughout the country 1.3 per cent last year. Mr. Zhang advances several good reasons for the lack of growth in shipping trade.

"The government did not invest a large enough amount of money on ports and dredging the river. This has affected freight cargo," he said. "Because shipping is slower, all departments would like to use railways to ship the goods."

The negotiator has been reengaged. The 12th of last year included "vitalising the inland navigation through the Yangtze river system by constructing ports and wharfs according to a unified plan, making the wharfs more mechanised and dredging the river to increase its navigability."

Plans for the modernisation of Chongqing's telephone system appear to be on hold. The Post and Communications Bureau boasts that there are "eight times the number of

lines radiating from Chongqing.

Production was due to begin in Shanghai in October this year, but the starting date has been pushed back by four months. Chongqing has told that the 10,000 line exchange it wanted will not be ready for delivery, as had been expected, near the end of next year.

A Belgian Embassy spokesman in Peking said that problems had arisen in Shanghai over the provision of "electricity, water and buildings," and "management."

Officials in Chongqing said they understood that the problem had hit a barrier at Chinese but the Belgian Embassy sees no such obstacle. "If this is the main concern of the Chongqing people, they should not worry. The Cocom problem is solved."

Instead of waiting for the delayed Shanghai project to produce the goods, Chongqing has been negotiating directly with the Bell Telephone Manufacturing Company for a U.S.\$4.27m contract to supply

10,000-line local exchange and 500-line long distance exchange.

But these negotiations, too, have stalled, and a director of the Chongqing Municipal Post and Telecommunications Bureau, Mr. Li Yongzhang, cannot be sure when an exchange will arrive. He says that a Japanese company has learned that Chongqing is developing its telecommunications system... from our contact with the Japanese, their machines are cheaper than the Belgians."

Before either deal is complete, the bureau will continue the eternal quest for a long-term foreign loan. Mr. Li adds, cryptically, that "some friendly countries are willing to give us support," but he did not specify what that meant.

He considers that post and telecommunications charges are too low, and that a rise is inevitable in the next year or so, though that decision will be the responsibility of the Central Government.

"It is not probable that there will be some change, but the Government is very cautious when it makes changes because it affects everyone," he says.

Mr. Li believes that, as with several other facets of Chongqing's development, communications would have expanded more quickly had the municipality not been under the control of the Sichuan provincial authorities, based in Chengdu.

"Now that the Government

has given us special status, we can develop more quickly," he adds.

goods more quickly, efficiently and carefully than the state-run operation. His staff are prepared to work longer hours than those of the large competitor, and forego Chongqing's traditional three-hour lunch break in summer.

According to the wizened Mr. Lu, the Minsheng staff have an annual income of at least yuan 1,200 (about \$400), about 20 per cent more than the Yangtze Shipping Company's employees, and the gap will widen when a share of the profits flows back into their pockets.

The company's financial structure reflects the Chinese Government's marriage of convenience with the ways of capitalism. Shares have been sold to all employees, who can "invest" a maximum of \$3,570 in the venture.

Employees are prohibited from buying other shares, but their interest entitles them to a portion of the company's profits each year. The company has received a loan from the Bank of China's Chongqing branch, and the Government has helped by giving Minsheng two tax-free years to get on an even keel.

Minsheng has total control in running its affairs. Staff can be hired and fired, and arbitrary prices set, and there is the potential to expand its operations into other fields.

Mr. Lu hopes to more than double the tonnage of the shipping company's fleet by the end of this year—next year we will extend to ocean shipping. We hope that our ships will go everywhere," he says.

He claims that the company will thrive because it handles

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## CHONGQING 5

Cuts in spending have forced arms manufacturers to diversify by exploiting the domestic market for much-needed products

## Consumers to the rescue

### Manufacturing

DAVID DODWELL

CHINA'S DEFENCE spending has been cut sharply since 1979, forcing major readjustments by the country's arms manufacturers. But if Chongqing's 100 or so defence manufacturers have been hard-hit by these cuts, then they are making a brave face of it.

To lessen the impact of the cuts arms manufacturers have been helped to diversify into production for the consumer market. At the same time, Peking's arms salesmen have invested considerable effort into increasing exports of defence equipment.

In both counts, they seem to have achieved success. In Chongqing, where about 20 per cent of the 1m industrial labour force works in defence factories, officials estimate that 55 per cent of their output—about RMB 800m—is now for the civilian market. This compares with a bare 7 per cent in 1979.

Even after these cuts, China is reputed to be the world's third largest manufacturer of arms and the fifth largest supplier to other countries, behind the U.S., the Soviet Union, the UK and France.

#### Exports

U.S. defence exports to China in 1984 amounted to 1.66bn yuan, making arms sales the country's fifth most important source of foreign exchange, and accounting for just under 7 per cent of all export earnings.

The figure would be much greater if it were not for the fact that much military equipment is provided at nominal or no cost to friendly countries, notably in Pakistan, Iran and some African countries.

Although China's armaments are generally understood to lag two decades behind state of the art technologies being applied in the West and the Soviet Union, they have won a reputation for supplying cheap, simple and reliable weapons.

In many parts of the Third World, where shortages of

foreign exchange and the low technical skills of armed personnel are important considerations, the Chinese have won significant orders. The political fact of China's non-alignment with either the U.S. or the U.S.S.R. has also helped it to win orders from countries that want to maintain a "neutral" image. However, such export gains have not been sufficient to prevent significant cuts in arms production.

Officials in Chongqing are divided about changes in the pattern of arms manufacture, and the effort to boost exports. This is largely because they are kept in the dark by Peking, which handles export orders through Norinco, the country's defence sales agency.

The main efforts of the Chongqing authorities have been to help defence manufacturers to adjust to civilian production. Officials are aware with examples of such diversification. Manufacturers have successfully turned their hands to such products as motorcycles, washing machines, pit props, refrigerators, telecommunications equipment and watches, to name but a few items. They are also exporting rare metals and special steels.

There are probably examples of manufacturers that have suffered as a result of the cuts, unable to adapt their skills effectively to the civilian market. Unsurprisingly officials are unwilling to reveal them, or to talk about them.

Officials in the defence industry division of Chongqing's Economic Commission prefer to talk of a change of emphasis, rather than of cuts in arms procurement at such. Since 1975, when the then-Premier Zhou Enlai, appointed national defence as the last of the country's "four modernisations," the major view in Peking has been that defence spending has expanded at the expense of manufacture for the domestic economy, pre-empting the scarce supply of scientific, engineering and managerial talent.

It was argued that massive "war preparations" in the mid-1960s, following China's break with Soviet Russia, caused severe dislocation of the civilian economy. Since 1975, and Zhou's

ranking of economic priorities, the dominant view has been that civilian and military development must go hand in hand, and feed off each other, or both would suffer.

The only year in which this policy faltered was 1979, when China was in conflict with Vietnam. Defence spending surged sharply, but briefly.

The result of this effort to make a better balance has been an emphasis on integration of the two sectors. Defence factories, thought to account for about 10 per cent of the country's industrial output, now derive an estimated 30 per cent of their earnings from civilian production, and Chongqing is illustrative of this trend.

**Two reasons**

Chongqing became a major defence manufacturer for two main reasons. First, as the wartime capital of Chiang Kai-Shek's Nationalist Government which was effectively under assault or siege from Japanese troops for 11 years between 1937 and 1947, it developed into a major industrial centre, with arms industries supplying the Nationalist Army.

Secondly, and probably more important, Chongqing was, in the early 1960s shortly after the traumatic break with the Soviet Union, pinpointed along with Hubei, Hunan and Guizhou provinces as a "third line" industrial base for arms manufacture. This third line is thought to be safe from attack from any major enemy, in particular, as it is to be able to sustain its own production of arms in the event of a successful invasion of northern China by the Soviet Union.

With 200,000 jobs linked to the arms industries, which range from warship and aircraft manufacture, to tanks, armaments, strategic metals and aerospace equipment, there can have been few cities in China so threatened by the decision to curb military production. While officials refuse to admit as much, Chongqing's importance can be reflected by the officially disclosed fact that in 1984, one third of the 1.6bn yuan worth of civilian goods produced by China's arms factories came from the city.

At the same time, the Jianshi Machine Tool Factory is now producing motorcycles in collaboration with Yamaha of Japan, while the Changan Machinery Plant, which used to make cannon and armoured, is making small arms in collaboration with Suzuki. The Wangguo Machinery Plant, which also used to make cannon, now makes hydraulic pit props for the coal industry, and is discussing with Mercedes-Benz of West Germany a cooperative venture to manufacture trucks.

By this year, many one-time defence factories have been transformed to a point where all but a tiny proportion of output is for the domestic consumer market. The Chongqing Shipbuilding Plant, once an important builder of warships, now makes Yangtze river barges and other civilian craft.

The aim is to make factories self-sufficient. In cases like Jialing, this has clearly occurred.

All claim they can demand much higher profit margins for products aimed at the consumer market than they can for goods produced for the Ministry of the Ordnance Industry (MOI), but it is uncertain whether they have reached levels of efficiency, productivity or profitability that would be judged acceptable to most Western manufacturers.

The shift into civilian manufacture is credited with creating new jobs. While over one third of the 200,000 workforce originally employed in manufacture for the defence industries can now be assumed to have shifted over to civilian production, officials claim that 25,000 new jobs have been created.

Jialing is said to lead the field, accounting for about 1,000 new jobs. If true, the importance of this cannot be underestimated, given the pressure to reduce China's rural labour force as agricultural productivity and efficiency in the countryside improves.

#### Savings

Officials claim that the decision to integrate development in the two sectors has not only allowed cross-fertilisation of research and development efforts, but has allowed considerable investment savings. Mr Han Youmin, acting director, Mr Han Youmin says the Honda production line, which would have cost nearly 600m Yuan to build from scratch, has actually cost the group 6.3m Yuan by the time the plant reaches full annual output of 300,000 motorcycles a year, he says 15m Yuan will have been spent.

As officials in Chongqing try to modernise industry, boost exports, and improve the supply of consumer goods to the Chinese public, so it has become clear that the city's defence industry must be brought along for this effort. To an extent, the city's importance as a driving force for economic growth in China's south west depends on their success. They still have much ground to cover, but the achievements so far of many defence manufacturers provide an encouraging foundation for growth.

Jialing hopes to produce 300,000 motor cycles this year: demand far exceeds supply

#### PROFILE: JIALING MACHINERY FACTORY

## Honda deal on motorcycles

Until 1978, the Jialing Machinery Factory was an arms manufacturer. Since then, it has become China's leading supplier of motor cycles.

Its venture with Honda of Japan stands as a model for collaboration with a foreign company, while its success in shifting away from the arms business has won plaudits from a government keen to trim defence spending and to mobilise the technologies of the defence industry to boost the supply of consumer goods.

The agreement with Honda was sealed in 1982. Until then, Jialing made 50 cc machines, boosting output from 55 in 1979 to 70,000 in 1982. The Honda deal enabled Jialing to revamp its original machine in line with Japanese technical advice, and to design a new model, the 70 cc Jialing Honda.

Last year, Jialing made 130,000 of its 50 cc machines, and 40,000 Hondas, and the target this year is to turn out 300,000 machines—170,000 of them Hondas. At the half-year stage, they were almost on target.

Jialing does not make China's biggest motor cycles, but it accounts for 40 per cent of national production, with its parts supplied by just under 200 factories in the Chongqing area.

The country's other leading plants include one in Shanghai that makes 125 cc and 250 cc machines also in collaboration with Honda;

turbo equipped it well to shift into motorcycle production. Large-scale processes, and surface treatment machinery, were easily adapted. Where a new factory would have cost upwards of 50m Yuan, the two production lines, set up in collaboration with Honda, cost a modest 6m Yuan.

Company sales amounted in 1984 to 1.8m Yuan, with more than half of this coming from motorcycle sales. Out of profits of 10m Yuan, motorcycle accounted for about 30 per cent. Mr Han notes bluntly that the company is allowed to charge a higher profit margin on its motorcycles than it can on its discreetly veiled arms production.

As defence industry orders have been trimmed in line with Peking's policy of putting more resources into the civilian economy, 3,000 of the 4,000 workers involved in the Honda venture have been transferred from arms manufacture.

From Honda's point of view, returns are at present modest, but could surge as production rises. About half of the engines being used for the 70 cc machine are being imported from Japan, while the company takes 10 per cent of the retail price of each machine. This year, this should amount to about 6m Yuan. At any one time it has up to 17 technicians working at Jialing as advisers.

DAVID DODWELL



## TEXTILES FROM CHONGQING, CHINA

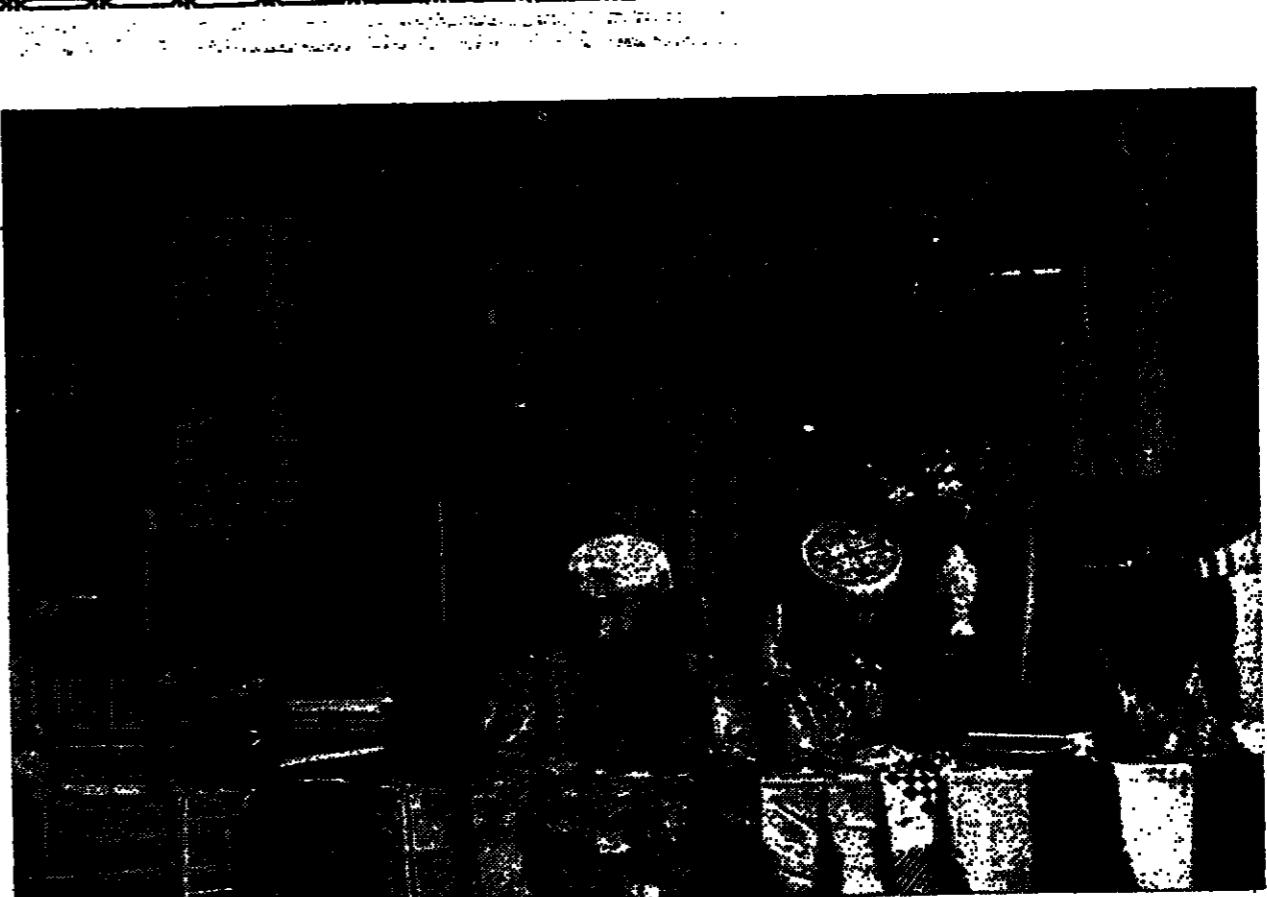
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The major business of the Corporation is the import and export of cotton yarn and cloth, polyester/cotton yarn and cloth, ramie yarn and cloth, ramie/cotton yarn and cloth, woollen piece goods, woollen blankets, cotton and synthetic knitwear, and cotton manufactured goods. We are also active in compensation trade and in processing customers' materials or imported materials and processing to buyers' samples.

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Tel: 46978  
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## CHONGQING SILK

As of January 1, 1985, Chongqing Import & Export Branch of China Silk Corporation handles all of Chongqing's export business of cocoons, raw silk, silk fabrics and other silk products including rayon, synthetic or mixed fibres and interwoven silk products. Our Branch is also active in compensation trade and import business of materials for processing and necessities for silk production.

Items we handle include white steam filament,

native silk, spun silk yarn, silk tops, silk noil yarn, silk noils, de-fatted cocoons, various blended or piled silk noil/ramie yarn, silk noil/cotton yarn, silk noil/acrylic yarn, silk fabrics and other silk products.

We wish to further develop our business ties with the world. Overseas traders are cordially invited to come to Chongqing to discuss business with us. Contacts by correspondence or by telex are also most welcome.

China Silk Corporation, Chongqing I/E Branch  
235, Minsheng Road, Chongqing, China  
Telephone: 46978  
Cable: "CHISIL" Chongqing  
Telex: 62184 CQTEX CN

## CHONGQING 6

Sichuan's farming sector shows signs of recovery

# The weather causes fluctuations of fortunes

## Agriculture

ROBERT THOMSON

IN A year of abnormally high rainfall, with the immediate threat of flooding in and around Chongqing, what most troubled the local farmers is the danger of a long and debilitating drought.

The municipality's officials expect drought conditions every second year, and after a few years of good rains, there is a feeling down on the farm that a drought is not far away—and that when it does come it will stay for a while.

Chongqing and its province, Sichuan, have found that, like the weather, regional agricultural fortunes have fluctuated. Before the Cultural Revolution, Sichuan was known as China's "rice bowl" and the "kingdom of abundance."

As China bled internally in the chaotic years after 1966, Sichuan became the famine-stricken "land of tragic disaster," where entire families abandoned their children for rice coupons. In 1976, Zhao Ziyang, now the country's Premier, became first secretary of the Sichuan Communist Party, and encouraged self-management of factories, introduced workers' bonuses for increased productivity, and re-organized farming techniques.

The recovery of Sichuan's agricultural sector, under Zhao, led to the peasants engraving his name in love: "To soothe your hunger pang, look to Ziyang."

At the Shiqiao township, about 15 km out of central Chongqing, Zhao is most fondly remembered for having re-introduced the private plot.

The township's accountant, Miss Liu Anhui, explained that private plots had been regarded during the cultural revolution

as a sordid offshoot of capitalism. Miss Liu said the brigade's workers were also delighted when they received permission to run sideline industries.

The township's managers are realising in the freedom of an emancipated market and the opportunity to diversify their interests—and diversify they have—sideline factories churn out knitwear, elastic, shoes and rubber goods, among others. At the same time, less is plowed, however, by increases in the cost of machinery.

Local managers say that the rise has come from greater freedom for individual factories to respond to the market. In other words, market forces are fine if limited doses.

"The price is too high. The peasant here hope that the state can allocate machinery according to a state price. That state price is better," says Miss Liu. "The price of machinery will be a growing concern, as the township is intent on expanding its operations and, with limited farmland available, the peasant agriculturalists are becoming peasant industrialists."

### Export crops

While the peasants have the freedom to choose which crops they grow, Chongqing is under Central Government pressure to produce more export crops. Planning authorities have asked the municipality to increase production of exportable peaches and grapes for example.

The research director of the Chongqing agricultural communication, Mr Li Weizhou, said that some country would like the fruit," says Mr Li. Similarly, municipal authorities advise on likely shortages in the domestic market. Last year, overall fruit production rose by 7.3 per cent

from 1983 to 127.5m kg in the municipality, but crop growth has been unbalanced.

This year, for instance, there has been a glut of water melons and a shortage of Chinese cabbages. Mr Li is certain that farmers will respond to the market signals, and the supply of agricultural products will even out.

The Central Government's export expectations have created another problem in Chongqing, which does not possess the processing facilities needed for export products. Mr Li and the authorities have been knocking at various overseas doors, seeking funds to buy processing equipment.

"In the future we hope to introduce some advanced technology for processing agricultural products. We will have a foreign loan, and with the export funds we will repay the loan. Now we are trying to get loans from various sources, from the World Bank and from Italy," says Mr Li.

"We haven't decided how much we will borrow. We are planning to import technology, but we have not decided how much we will buy." Italian companies have already been negotiating joint ventures for the building of a chicken farm, and the construction of a storage facility for the municipality's large orange crop, which rose 2.2 per cent to 103.15m kg last year.

One of the larger citrus farms in the area is at Shapingba, north of the city, where agriculturalists have again turned industrialists, and run the Jinkou Drink and Can Factory. The 1,800 acre farm was established in 1957, and produces about 200,000 kilos of citrus fruits annually. Once the whole crop was sold at market, but now only a small part is taken to one of the municipality's 800 free markets, and the bulk is used in the manufacture of sweet soft drinks.

Chongqing's glamour export item, silk, recorded a small rise in production last year, with silkworm output up 1.7 per cent to 22.13m kg about two-thirds of silk production is exported. The municipality maintains its reputation as an important grain producer in a country that has succeeded in becoming grain self-sufficient, to the chagrin of American exporters who were left holding unfulfilled contracts. Last year, total grain production in Chongqing rose 5.1 per cent to 6.08m kg.

### Glamour

"We want to increase production as much as we can. We have a saying that 'if you only develop agriculture, without developing industry, you cannot get rich'."

However, Mr Zhou and company at Jinkou are not quite as certain of where the soft drink market will lead them—"At present, we are not sure what kind of drinks we should develop," he says.

And they have discovered that the production line has brought other concerns. As well as a long-term worry about the effects of drought on the citrus crop, this summer, Jinkou's managers had the more immediate concern of an abnormally high rainfall and an accompanying drop in soft-drink sales.

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Realizing that the energy demands of industry cannot be met, the municipality has begun to experiment with electricity prices in an attempt to make Chongqing more energy efficient, and is restricting the operating hours of energy inefficient industries.

Twenty-five large industrial enterprises are involved in the pricing experiment, in which the factories have been encouraged to become nocturnal through cutting night-time electricity prices by half. Each of the enterprises has a daytime kilowatt quota and those using more than their share will be charged at 80 per cent above the standard rate for the excess.

The steel and aluminum industries have been most affected by periodic shutdowns due to energy shortages. Shutdowns are most common during what is called the energy "low season," from November to March, when river levels are low and hydro-electric generation is below capacity.

Fluctuations in hydro-electric supply have made thermal power stations the preferred energy source. Two 200 megawatt MW plants are under construction, and both are expected to be completed in the next two years.

One of the municipality's key projects is to build a thermal power station at Ludong with a generating capacity of 1,200 MW. The deputy director of the energy section of the Chongqing Economic Commission, Mr Gong Liangmo, estimates the total electricity needs of the municipality at 400 MW, a rather conservative figure considering the ambitious plans for industrial expansion.

He reckons that the present power capacity of the electricity power stations is around 400 MW, of which a third is generated by hydro-electric plants. But he admits that the power stations operate well below capacity, so a major part of his job is to encourage users in the relatively new practice of energy conservation.

In order to meet the demand for agriculture and industry, we should, on the one hand, develop electricity, and, on the other hand, save energy," he says, while describing Chongqing's plan to overcome its energy deficit.

With the increased reliance on thermal power stations, the area's rich coal reserves are to play a significant role in energy development. The most pressing question is whether Chongqing will be able to bring the coal out of the ground fast enough to satisfy the demand.

The Coal Industrial Corporation of Chongqing oversees the municipality's estimated coal deposits of 260 tonnes, and recently has had talks with British Petroleum and several Japanese companies about joint ventures in the exploitation of the reserves. Discussions with all comers so far are at an early stage.

According to the corporation's



Fruit and vegetable sellers (left) in central Chongqing; women operatives (right) at a factory, south of the city

## Experiments to reduce shortage

### Energy

ROBERT THOMSON

FACED with an energy shortage, Chongqing has developed a disorganized collection of generators ranging from diesel generators to the rudimentary marsh gas, formed through the fermentation of vegetable matter and human faeces.

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According to the corporation's

assistant manager, Mr Tan Ruiguo, Chongqing's economic development "cannot be separated from coal: generally speaking there is a bright future for the coal deposit. With the introduction of key technology, it will be much better."

The lack of sophisticated technology dims the bright energy prospect that is coal. Mr Tan admits that mining enough coal to keep the planned thermal power stations running will be difficult without the introduction of technology to extract the coal and then to lower the sulphur content.

"The sulphur content is too high and it is not an easy job to lower it," says Mr Tan. The sulphur content is 3 to 4 per cent, and the corporation is hoping to lower it to 0.6 per cent, with specialized equipment.

We plan to import some advanced technology for coal drying. That will improve the quality of the coal, and the quality of the electricity," he says. We also expect to have safety production equipment, so that we can mine the coal safely and deal with fires in the mines.

"We hope to have contact with overseas companies both ways. On our part, we will take the initiative and hope that foreign companies will respond. It will take time to assess the value of the foreign contribution," he adds.

The Coal Industrial Corporation has already signed a Yuan 20m deal with the Polish Coal Ministry to provide machinery for extraction in shafts sunk at awkward angles. Mr Tan explained that the Heilongjiang coal is not suitable for open cut mining. The Polish equipment, due to be delivered in the fourth quarter of this year, will help improve the municipality's capacity to win coal.

In the energy field, says Mr Gong, the Sichuan provincial authorities in Chengdu still have "too much control" to the detriment of Chongqing's energy development — "that is why we have to develop our own energy resources to meet the needs of the region," he explains.

### PROFILE: SICHUAN VINYLON

## A turnkey project turns sour

THE Sichuan Vinyylon works of the China Petrochemical Corporation in the rural township of Changshou outside Chongqing was one of a series of turnkey purchases from Western countries during the early 1970s by China.

It was intended to bridge the technology gap (estimated at some 20 years) between China and the West. The plant has never worked for more than 10 months a year. It highlights problems of transplanting high-technology equipment to places where infrastructure is poor. It also raised questions from which the Chinese Government has learned about major economic decisions at that time.

The original US\$50m contract consisted of an ethylene complex bought from the French engineering concern Simec, an acrylene facility from West Germany, a caustic plant from BASF, a methyl plant from ICI of the UK and vinyl acetate equipment from the French company Rhône Poulenc.

The second phase was a US\$50m polyvinyl alcohol (PVA) plant from the Japanese company Kuraray. PVA is being used for vinyylon yarns and vinyylon fibers and a large spinning mill is part of the complex.

The raw material for the works is natural gas, of which Sichuan claims to have the largest reserves in China. Preparatory and construction work lasted from 1973 to 1979 and the plant became fully operational in 1980. Employment is 10,000, and output is 95,000 tonnes per year of methanol and 45,000 tonnes of PVA and other by-products.

According to Mr Wen Jiaxin, the plant's general manager, a chemical engineer trained in the USSR in the 1950s, vinyylon fibers helped to make the plant profitable in 1979 for the first time. In contrast, however, foreign industrialists familiar

with the industry in China say the profitability of China's chemical industry is probably due to the fact that raw materials and energy are subsidised and domestic buyers two to three times the world market price.

Chinese officials point out that PVA from the plant is being exported to the U.S., West Germany, Hong Kong and Malaysia, and methanol to Japan. But the terms on which it has exported are undisclosed.

The operation also suffers from many problems which beset similar joint ventures throughout China. The plant at Changshou is the largest in Sichuan's chemical industry. The

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## CHONGQING 7

PROFILE: MAYOR OF CHONGQING

**A technocrat comes to the top**

FOR Xiao Yang, the new Mayor of Chongqing, it has been a long journey back to Sichuan, victim of the Mao-inspired upheaval.

Because of Xiao Yang's East-European credentials he was also branded a "revisionist". He spent a year and a half in jail, like Deng Xiaoping a year before, the communist party ruled in 1978 that he was a "reformed capitalist". He became vice-chairman of the revolutionary committee in his old factory.

But in Spring 1976, the Maoist extremists made their last stand in launching the "campaign to repulse the right deviationist wind, whipped up by the arch-revolutionary capitalist-roader, Deng Xiaoping".

In April 1976, after the anti-Maoist Tian An Men riot, Xiao Yang was again accused as a follower of Deng Xiaoping.

Immediately after Chairman Mao Zedong's death, Xiao was subjected to a peculiar kind of ideological vindictiveness: he was put in charge of engineering work at the Mao-mausoleum in Tianan Men Square after the direct supervision of Wang Hongwen, the younger "Gang of Four" firebrand (who is now serving a life-sentence in jail).

Xiao Yang was born in Lanzhong, a small town on the Sichuan-Shaanxi border in 1930. After participating in the East Sichuan underground movement he had ended up in the Kuomintang in 1946 with the group that took over the post-office and the water-works from the defeated Japanese.

At 19 he became director of a glass-factory, confiscated from the Japanese and the Kuomintang. He also studied electronics at Beijing's Qinghua University, the best science and technology institute in the country. Then, in 1954, he went to Dresden and Jena in East Germany for further study in optical engineering.

Back in China in 1956 he again became director of the same factory, which expanded into a conglomerate of 21 companies, the Beijing General Glass Works, with a joint workforce of 23,000 people.

In 1957, he went on a study-trip to the Soviet Union. His ambition for an all-out career in top-management was shattered in 1958 when at the outbreak of the Cultural Revolution he was denounced as a "capitalist follower of



Mayor Xiao Yang: facing an uphill struggle

American Motors project in late 1963, Xiao was sent back to his native Sichuan, possibly at the instigation of Deng Xiaoping, or premier Zhou Enlai. He then became Vice-Mayor in 1984 and was elected Mayor in June this year. His predecessor, Yu Hanqiang, according to local sources, had apparently failed to resolve factional feuds.

Xiao's old connections from the civil war days, his foreign education, his more recent experience with Western capitalist firms, has built up his considerable commitment to orderly economic development policies, may prove an asset that Chongqing has not enjoyed much in the past. American Motors has visited Chongqing 14 times in recent years, though not for a second vehicle factory.

Many of the city's departments, even those which deal with foreigners, are often staffed with inexperienced people from the countryside. The new mayor is determined to improve the situation by bringing in more experienced staff and speeding up local training projects.

The new mayor calls his action programme "The Three Ups".

"We started talking in 1979 when there was no legislation. From 1979 until 1983, we had 247 laws and, eventually, the seemingly impossible was achieved: the interests of American capitalists and the requirements of a socialist developing country were both met. If you can achieve that..." says Xiao, leaving his comment unfinished, but hinting at the complexity of the negotiations. After the conclusion of the

WILLEM VAN KEMENADE

"We have more and more departments, but less and less work is done," he says. "We should streamline further and disband departments that are irrelevant in a planned, market economy."

The mayor says he has started on the easier issues before attempting to get to grips with the city's daunting problems of economic modernisation. He has nevertheless not shunned drastic measures.

He has hired Japanese advisers and given them executive powers for example. Mayor Xiao has only five years to lay the foundation for a modern Chongqing, because retirement at 60 is now mandatory for leaders in position.

"If I am successful, the Communist Party will see the credit. And if I fail, it will be me who gets the blame," he says, frankly. But with his track-record, he will not be a man to admit failure easily.

He faces an uphill struggle, but he may well have the right

skills and determination to succeed.

WILLEM VAN KEMENADE

**Looking after nearly 14m people****Administration**

WILLEM VAN KEMENADE

ADMINISTERING the city of Chongqing is, in quantitative terms, rather like ruling a medium-sized country. In area, the sprawling municipality is, for example, larger than Israel and, in population, it is twice as large as several medium-sized European countries. Chongqing's development is not the result of steady growth, but of sweeping administrative measures in the last 40 years.

In 1937, the year when the Kuomintang established its wartime government here, Chongqing's area was 815 sq km with 476,000 inhabitants. By 1945, the year of the Japanese surrender, Chongqing had been enlarged more than three times to 328 sq km and its population had more than doubled to 1.2m.

The victorious communists made Chongqing the seat of the South-west Bureau and they more than doubled its territory in 1950. But the most drastic administrative changes took place in the early 1970s, first by expanding its size to 9,248 sq kms and 6.5m people. By 1983 it had been further increased to 22,341 sq kms with nearly 14m people, making it the largest municipality in China.

The bulk of Chongqing's population increase in wartime consisted of government officials, business people, factory workers and refugees, many of whom left again once the war was over. Communist officials point out, however, that the wartime expansion under the Kuomintang laid the foundation for the city's modernisation in the 1950s. (One official in the Economic Commission suggests that 80% of government officials with China, now living overseas, and also with Americans, had proved useful in the re-opening of the city to the outside world.)

When, in the early 1950s, Chongqing became the base for the South-west Bureau, overseeing political, military and economic planning in the four South-western provinces of Sichuan, Guizhou, Yunnan and Guangxi, the bureau (housed in the "Red Flag" the wartime residence of Zhou Enlai, who served as communist ambassador to the Kuomintang government), was first headed by Deng



Shoppers look for bargains in a Chongqing meat market before the Cultural Revolution the Sichuan region was known as China's "Kingdom of abundance."

Xiaoping and his former military chief marshal Liu Bocheng, also a native of Sichuan.

Because of the continuing civil War with the Kuomintang, which now rules in Taiwan, and the blockade by the American Seventh Fleet, China's industrial policy in those days concentrated upon heavy industry in remote inland regions.

By 1954, the six regional bureaux were showing centrifugal tendencies to such an extent that the central authorities scrapped the regional set-up. Chongqing became a city under the provincial administration of Sichuan in Chengdu.

The municipality's highest policymaking group is the Municipal People's Committee, which is in charge of state policy direction. In factories, the local party secretary plays a "second fiddle" to the manager, whereas, at city level, the party secretary is, in the words of Mayor Xiao Yang, "the chairman of the general manager".

Other factors, listed by officials, include:

• Progressive stagnation, caused by rigid adherence to a Soviet-style system of central planning.

• Factionalism, which had become more pervasive than elsewhere.

• Poor leadership and inefficient administrative policies.

The expansion of the municipal area to embrace Chongqing in the south-east and Chongzhou in the north-east, improved Chongqing's food and gas-supplies and broadened its industrial base. In 1973 Chongqing was chosen as the base for a major gas and chemical plant with a workforce of 10,000.

The merger with Yongchuan area in 1983 meant that Chongqing became the only city in China to be self-sufficient in coal. The merger coincided with the granting of special economic powers and nominates senior officials.

The mayor is the chief executive of the Municipal People's Government and implements all major decisions of the

Communist Party. He is assisted by an executive committee, made up of himself, the five vice-mayors, the heads of the six municipal commissions and 38 bureaux, plus the Secretary-General of the General Office.

Chongqing answers directly to the Central Government in matters of economic planning and foreign economic relations. In other matters, it still has to follow the instructions of the provincial government.

A drastic process to streamline the city's institutions is now under way. The MCP, during its annual session in early June abolished 86 temporary organisations that had been set up in 1980 to implement economic policies. It also abolished 320 double posts. Mayor Xiao Yang says the streamlining process is far from over.

The simplification may have far-reaching but positive results for local industries. Under the old system, factories were often scattered and interfered with by half a dozen or more competing municipal groups.

If the reforms in Chongqing prove successful, the city may eventually become China's first fully-fledged inland Special Economic Zone. Unlike some coastal zones, which are now under a cloud because of various shortcomings, Chongqing does have much better access to raw materials, with a large base of trained manpower, and an established, though obsolete, industrial base. But how it comes to terms with its relative remoteness from its export markets has still to be seen.

**University orders computer system**

CHONGQING UNIVERSITY has placed a £250,000 order for computers imported from Manco Computers (Far East), which is a Hong Kong subsidiary of the British computer system development group, Manco Computers of Fallowfield, Manchester.

Manco has been negotiating entry into the Chinese market for nearly two years. The first order is for a package comprising an American-built Digital Equipment VAX 11/750 computer, terminals and printers. Manco is providing its own communications software and equipment, with training and after-sales support from its Hong Kong subsidiary.

**Chongqing Light Industrial Products and Arts & Crafts**

Chongqing Branch of China National Light Industrial Products I/E Corp and Chongqing Branch of China National Arts & Crafts I/E Corp are specialized foreign trade corporations under the Ministry of Foreign Economic Relations and Trade of China authorized to conduct trade at the provincial level with foreign concerns. We have ample supplies of various goods and guarantee punctual delivery. As our long term strategy to promote international trade, we aim at further developing our business contacts and strengthening cooperation with our business partners.

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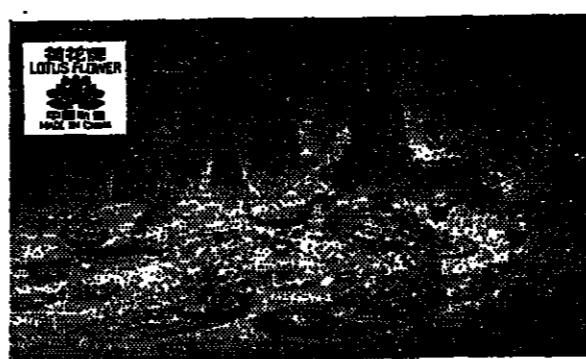
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Lacquerware exported by Chongqing Branch of China National Arts & Crafts I/E Corp is characterized by exquisite polishing and colour painting decoration. Techniques such as filigree marquetry, embossed lacquer polishing, eggshell mother of pearl inlay are also employed. With its rich and varied designs, Chongqing lacquerware also features a distinctive local flavour.

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## CHONGQING 8



Smiles for overseas visitors in the grain section of a Chongqing market. The city's authorities are seeking to attract more longer-stay visitors from abroad. More hotels are being modernised



Crowds throng the streets in central Chongqing—a city without bicycles

### Tourism ROBERT THOMSON

ON THE lush slopes of Huangshan, about 20 km south of Chongqing, a rundown house that is home to four families carries a large sign telling tourists that the property is both occupied and out of bounds—so go away.

The tourism official who led an inspection explained that the house was once the villa of General George C. Marshall, the U.S. Chief of Staff during the World War Two, and later the U.S. "mediator" between the Nationalist and Communist Chinese. At the time, the U.S. Government was actively supporting the nationalists.

Another tour guide later suggested that Marshall had never stayed there at all. The second opinion was that

Marshall's villa was 50 metres up a muddy garden path in a three-storey house in a similar ramshackle state.

The first official maintained that this house is one of five families who really own the villa of Kai-Sheh, an eccentric odd Taiwanese tourist who has come to admire a past habit of Generalissimo.

These two villas tell much about the development of Chongqing's tourist industry, which is attempting to make the city more than a transit lounge for tourists taking a boat down the Yangtze River and its gorges.

Development of tourist attractions is now the formal responsibility of three groups in charge of tourism: the Chongqing Tourism Company, the China International Travel Service (Chongqing Branch), and the Chongqing China Travel Service Development is left to all and sundry other bodies which will improve facilities at their own pace.

A tourism official explained that these two villas should be renovated next year, but the work and the timing will be left to the managers of a Communist Party Sanatorium on the other side of the hill. The Sanatorium managers are just one of many groups responsible for tourism in an industry too heavy with bureaucracy.

Many companies would like to make this investment because this will get a return very quickly. Now we are not in a hurry to sign a contract quickly," he says.

In early July, the Chongqing authorities were negotiating at their leisure, with "three or four" Hong Kong companies.

If Chongqing is to hold tourist interest, the "captive audience" mentality will have to be shunned off. Facilities in the Remin Grand—visitors are "honoured" to spend just one night in its precincts, according to one local official—are inflexible, and designed for the rush-through tourist groups.

Business people and tourists spending more time in the area will find, for example, that the Remin Grand's menu is fine for the tourist breakfast—dinner and departure the next day, but is lacking in variety for those staying longer of their own free will or of necessity.

Chongqing's economic report

for last year stated that 36,379 overseas visitors passed through the municipality, a 23.5 per cent increase on 1983. Mr Wang suggested that there were in fact 30,000 visitors, up from 24,000 visitors in 1983.

The visitors stayed an average 1.5 days in Chongqing, and about 60 per cent of them took the Yangtze River cruise. What Mr Wang and the four other deputy general managers in the three tourist bodies are attempting to do is ensure that Chongqing holds the interest of tourists for longer periods of time.

Mr Wang concedes that there is not enough good quality accommodation to go around. At present, Chongqing has 500 rooms with bathroom, and aims to increase that figure to 1,700 by the end of 1987.

Among the planned projects

are the renovation of the Chongqing Hotel at a cost of \$500,000, and the extension of the distinctive Remin Grand (which has an enormous auditorium between its two wings, said to be modelled after the Peking's Temple of Heaven); and the building of a \$20m hotel, the Yangtai, with 400 rooms.

Local officials have adopted a rather casual approach to the renovation of the Remin Grand. As Mr Wang describes the situation, the municipality was going to bear the cost itself, and then decided to seek overseas assistance.

"Many companies would like to make this investment because this will get a return very quickly. Now we are not in a hurry to sign a contract quickly," he says.

In early July, the Chongqing authorities were negotiating at their leisure, with "three or four" Hong Kong companies.

If Chongqing is to hold tourist interest, the "captive audience" mentality will have to be shunned off. Facilities in the Remin Grand—visitors are "honoured" to spend just one night in its precincts, according to one local official—are inflexible, and designed for the rush-through tourist groups.

Business people and tourists

spending more time in the area will find, for example, that the Remin Grand's menu is fine for the tourist breakfast—dinner and departure the next day, but is lacking in variety for those staying longer of their own free will or of necessity.

A problem for the tourist

groups is the weather in the "mountain city." Not for nothing is it known as one of the three "furnaces" of China. Fogs frequently delay landings and take-off at the present airport, which is in a fog-shrouded basin, about an hour's drive from the city centre. A new airport is planned, but until plans are translated into bricks and mortar, delays are likely to remain chronic.

The delays cause a chain reaction of disruption to itineraries, which generally include a visit to the Dazu stone carvings, in Dazu county, 180 km north-west of Chongqing, which date from the 9th and 10th centuries. There is Red Crag village in Chongqing city, formerly the home of Zhou Enlai and headquarters of the Communist Eighth Route Army.

### Disruptions

There is, also, a history of disruption to the Yangtze River cruises. In June, a landslide halted river traffic for over a week, stranding passengers in Chongqing. Tourist officials say that such things are rare, but one tourist who had a stage chopped from her tour because of the landslide found that four days in Chongqing were a few days too many.

About 40 per cent of tourists to Chongqing come from the U.S., between 20 and 30 per cent from Japan, and the remainder from South-East Asia and Western Europe. Unusually, the French outnumber the West Germans, who are much more frequent travellers in China as the Dazu stone carvings are widely known in France.

A tourist guide, Mr Chen Zuhua, who works for the China International Travel Service, Chongqing branch, and the Chongqing China Travel Service, observed that the French request to see two collections of stone carvings, whereas other tourists are happy with the one.

Americans, says Mr Chen, often want to be taken to historical sites from World War Two (the old U.S. Embassy and Marshal's villa among them). Europeans are generally more interested in the area's cultural heritage; and the Japanese, meanwhile, have a fascination with the parks and Buddhist

## Chongqing Animal By-products

Located at the juncture of Yangtze River and Jialing River in southeast Sichuan Province, the Land of Abundance, Chongqing is an important city in Southwest China. It is a hub of water and land transportation and is thus a distributing centre for goods and materials.

With its mild climate and abundance of water and lush grass, Chongqing enjoys natural advantages that favour the rearing of live-stock like geese, ducks, rabbits, pigs and goats.

Chongqing Animal By-products Import and Export Branch handles the export of a large variety of quality products including bristles, sausage casings, hides, fur products, leather goods and down filled goods. Among them, our "CHONGQING" bristles (originally under the brand name of "TIGER"), "GLOBAL" casings, "SWAN" feather and down goods and Sichuan raw goatskins are particularly famous both at home and abroad for their unique quality and long history of production.

**Fur Products**  
Fur products available include fur coats, semi-finished fur products and other finished products. Fine fur and advanced techniques are employed so that all products are free of bacteria, toxin and odour. Rich, thick and tough, our fur also features lustrous and bright colours. With original designs and exquisite workmanship of series cutting and pattern matching, Chongqing fur coats are elegant, warm and comfortable.

Chongqing also exports fur mattresses, cushions and back cushions of rich and varied designs.

### Feather and Down Products

The down products we handle include "SWAN" down filled clothes, ski suits, mountaineering suits, quilts, pillows, mattresses and sleeping bags. All are made of fine down which is rigorously cleaned and sterilized. The covers are made of imitation flannel and nylon taffeta silk. Soft, comfortable, resilient, fashionable and fine in workmanship, Chongqing down clothing is winterwear of top quality.



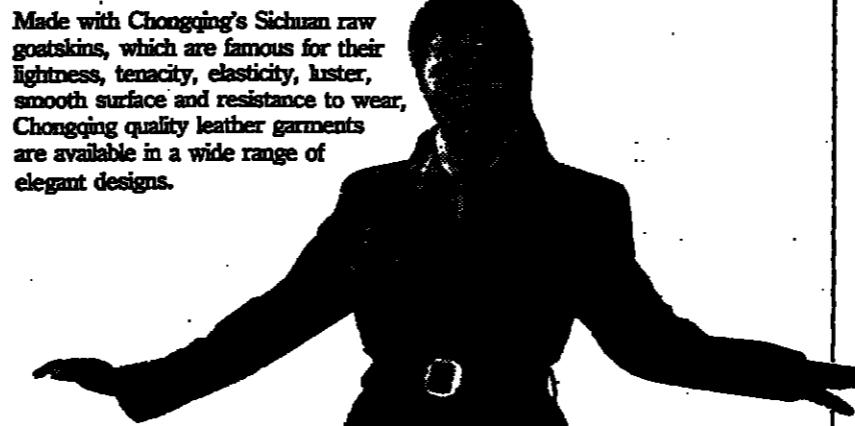
### Leather Shoes

With its solid technological foundation of shoe-making industry, Chongqing started exporting leather shoes for men, women and children as early as the 50's. Chongqing leather shoes are exquisitely made of selected cowhide, pigskin or goatskin. They are marketed to Europe, America, the Near and the Middle East, Hongkong and Macao, and are very well received by users the world over.



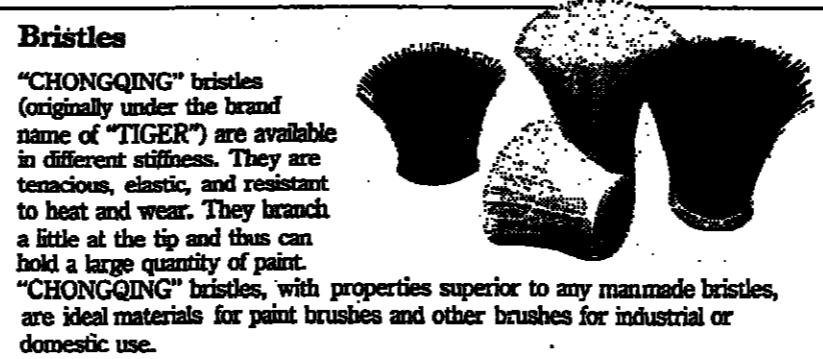
### Leather Garments

Made with Chongqing's Sichuan raw goatskins, which are famous for their lightness, tenacity, elasticity, luster, smooth surface and resistance to wear, Chongqing quality leather garments are available in a wide range of elegant designs.



### Rabbit Hair

Rabbit hair from Chongqing is reputed for being long, loose, clean and white. The fine quality hair is ideal for production of superb knitwear.

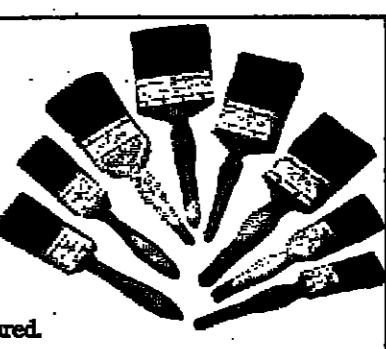


### Bristles

"CHONGQING" bristles (originally under the brand name of "TIGER") are available in different stiffness. They are tenacious, elastic, and resistant to heat and wear. They branch a little at the tip and thus can hold a large quantity of paint. "CHONGQING" bristles, with properties superior to any manmade bristles, are ideal materials for paint brushes and other brushes for industrial or domestic use.

### Paint Brushes

"TIGER" paint brushes from Chongqing are available in different stiffness. They are noted for high tenacity and good resistance against heat and wear. The bristles used branch a little at the tip, and thus can hold a large quantity of paint and reach into small cracks and remove dust in them. With "TIGER" paint brushes, smooth painted surfaces are assured.



### Hides

Hides that Chongqing exports include raw goatskins and skins of other wild animals. Chongqing raw goatskins are the most important representation of Sichuan raw goatskins. They feature clean sheet, standard size, even thickness, fine texture, pliancy, high resilience and tenacity, short hair as well as fine plate. Our hides are intact with heads and legs and are dried as flat sheets. They are superb raw materials for high-grade leather goods and have long been highly acclaimed in the world markets.

### Sausage Casings

Sausage casings from Chongqing have a good reputation for their thinness, smoothness, softness, freshness and even diameter. They are tear-resistant through steaming, smoking, boiling or frying. Casings from Chongqing make fine ingredients for all kinds of sausages.

### Leather Products

Chongqing wrist bags, wallets, belts, gloves, suit cases and other leather products are made of fine, smooth pigskin, goatskin or cowhide of top quality. With their superb designs, excellent workmanship and full specifications, they enjoy high reputation in the world.



Chongqing Animal By-products Branch does business in many flexible ways. We are active in businesses such as processing clients' materials, processing to clients' samples/drawings, co-production and compensation trade. Traders all over the world are cordially invited to come to Chongqing to discuss business with us. Please contact us today for catalogues and further information.

Person to contact: Mr. Sun Dahan  
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## SECTION II - COMPANIES AND MARKETS

## FINANCIAL TIMES

Tuesday September 10 1985



## Massey-Ferguson plunges to \$5.9m loss

By Bernard Simon in Toronto

MASSEY-FERGUSON, the Toronto-based farm equipment and industrial machinery maker, suffered a net loss of US \$5.9m, or 11 cents a share in the three months to July 31, compared with a profit of US \$7.4m, equal to 3 cents a share, a year earlier. Sales declined from US \$408.5m to US \$372.5m.

Losses in the first half of fiscal 1985 totalled US \$5.5m against profits of US \$9.8m a year earlier.

The company's recovery continues to be impeded by the unrelenting decline of the North American market for combine harvesters. Industry sales have fallen by a quarter in the past year, and Massey-Ferguson forecasts total industry sales this year at 10,000 units, less than a quarter of peak levels in 1979.

Massey's combined division lost US \$8.2m in the latest three-month period, bringing its losses to more than US \$18m in the first half of the current fiscal year, up from US \$5.1m in 1984. The company's total sales in value, which have slumped by 20 per cent in the U.S. in the past year and by 30 per cent in Canada.

Despite the poor performance in combine harvesters, the company posted a second-quarter operating profit of US \$1.1m. The closure of plants in France and Italy resulted in an extraordinary charge of US \$7.5m.

Mr Victor Rice, chairman, identified the depressed combine market and the restructuring of capital as Massey's major problems. Long-term debt totalled US \$621.5m on July 31, down from US \$697.5m a year earlier.

## Vice-chairman takes over at Petrofina

By Paul Cheshire in Brussels

PETROFINA, the Belgian petroleum and energy products group, has secured continuity in its management with the appointment of Mr Jean-Pierre Amory, who has spent his working life with the group.

Mr Amory, 60, was vice-chairman and a long-time associate of former chairman Mr Adolphe Demeyer de Lespauw, who died last month. His successor as vice-chairman is Mr Pierre de Tillesse, another Petrofina career man.

Mr Amory's background is on the technical side of the oil industry. He graduated as a mining engineer at the University of Louvain and was then sponsored by Petrofina in post-graduate studies at the University of Oklahoma.

He was in the field from 1954 to 1968 working his way through the hierarchy of Petrofina's Angolan operations, before spending five years running a Belgian chemical subsidiary.

## Sears joins credit card field with 'Discover' launch

By TERRY DODSWORTH IN NEW YORK

SEARS ROEBUCK, the U.S. retailing and financial services group, is entering the increasingly busy U.S. credit card market this week with the launch of its "Discover" card in Atlanta, Georgia.

Discover will be the first national general service credit card introduced into the U.S. market since Visa and Mastercard in the 1960s.

However, Sears is also aiming to use the card as a link between the array of financial services it has built up in the last few years.

Mr Edward Brennan, president, says the card will ultimately deliver range of credit, banking, brokerage and insurance services. These are all products that are currently available in Sears stores - the company owns Dean Witter, the brokerage group, for example, and Allstate Insurance - and the aim will be to use the card to move funds around the different services, or buy each and any of them.

In addition, Sears is putting together a network of companies that accept Discover as a general credit card. These include Hilton Hotels, Unocal (the U.S.'s thirteenth largest company), American Airlines, Budget Rent-A-Car, Holiday Inns, Dennys' restaurants and Hospital Corporation of America.

The card's application within Sears will initially be limited to its Greenwood Savings bank, which will deliver funds through automated tellers on the same principle as a banking card. This service will be gradually extended so that all of the Sears' group banking, insurance and banking transactions conducted on the card will be billed on one statement.

Sears also plans to sell certificates of deposit, make loans and market the increasingly popular individual retirement accounts (iras) through the card.

## NMB taps market with Fl 474m rights issue

By OUR FINANCIAL STAFF

NMB, one of the big three Dutch commercial banks, plans a Fl 474m (\$147m) rights issue to top up its capital base.

The issue will be on a one-for-10 basis at Fl 1.185 a share. NMB shares closed in Amsterdam yesterday at Fl 214, up from a low point earlier this year of Fl 148.

The bank, which last month reported improved profits for the first half of 1985, says the new funds will be used to bolster equity capital and keep solvency levels in line with the growth of bank lending.

NMB also stresses that the financing is part of the general move by Dutch banks to improve capital ratios "in line with international banking agreements."

The rights issue rounds off a busy summer of capital measures by NMB, which placed shares in Switzerland earlier in the year, made stock dividend issues and raised a debenture in June. It takes nominal equity up to Fl 1.185 and increases bank net worth to Fl 2.8m.

For the first half of 1985, the bank's net profit improved by 19 per cent to Fl 65.5m. The interim dividend was raised, and NMB looked forward to higher profits for 1985 as a whole.

The bank, which is 22 per cent owned by the Dutch Government, has expanded rapidly outside the Netherlands in recent years. It is currently negotiating to purchase the Hamburg branch of the Nederlandsche Credietbank.

The interim results reflected stable loan loss provisions of Fl 290m. Balance sheet total at the end of June stood at Fl 71.2bn, up 4 per cent on the December 1984 figure.

## Strong dollar boosts dual-currency bonds

By MAGGIE URRY IN LONDON

THE DOLLAR was making another strong showing in the foreign exchanges yesterday, further unsettling the Eurobond market. One sector to benefit, though, is dual-currency issues and Finland launched a Fl150m deal which will be redeemed in dollars in 1995.

The deal, led by Yamazaki Interna-

tional Europe, comes on terms which take account of the improvement in the exchange rate since the crop of issues last month. The coupon was set at 7½ per cent and issue price at 102. The exchange rate for redemption is \$298.50 to the dollar. The bonds were not trading actively yesterday and it is expected that a large part of the issue will be placed in the Far East. Fees are 2 per cent.

Eurodollar bonds continued the falls of Friday afternoon and were marked down by around ¼ point yesterday. There were no new issues of fixed rate bonds and only equity-linked deals look likely to be successful in this environment.

Goldman Sachs announced an in-

crease in the size of the zero-coupon bond issued by Rockefeller Centre Properties as part of its financing, which is itself being raised from \$1.1bn to \$1.3bn. The zero issue will now have a \$215m up from \$185m and have a redemption amount in 2000 of \$352.25m.

In the U.S., the common stock issue has been increased from \$30 to \$37.50 shares with the offering price remaining at \$30. Both the Eurodollar issues - the zero and the \$35m coupon issue - were trading well within commissions yesterday.

Swiss Bank set the final terms for its \$100m convertible issue as indicated at a 2½ per cent coupon for the 15-year bonds. The conversion price is Fl 1,498 which compares with a closing share price of Fl 410. The Swiss franc issue, of \$w10bn, was also fixed as indicated with a 1½ per cent coupon. This has a 1½ per cent selling con-

dition.

In the D-Mark market Deutsche Bank launched a DM 200m 10-year issue for Asian Development Bank. The terms were set at a 6½ per cent coupon and 99½ issue price.

The conditions were seen as being tough given the nervous state of the market at present. However, the bonds were trading at a discount around the 1½ per cent selling con-

dition.

The five-year paper will pay interest six-monthly at the London interbank offered rate, and the paper was sold to co-managers at a price of 99.80. It was trading just above that level yesterday afternoon.

The terms are fine, but the FRCD is designed to trade like a floating-rate note, though it is expected that it will be bought mainly by major banks which already deal extensively with Bank of China in the inter-bank market.

Six senior co-managers were recruited, reflecting a wide range of banks - Bank of Tokyo, Banque Nationale de Paris, Deutsche Bank, Merrill Lynch, Samuel Montagu and Morgan Guaranty. A larger group of co-managers was also assem-

bled.

Issues from Chinese entities are

expected in the Samurai and D-

Mark markets soon, though it may be some months before a fully

## China launches floating rate CD

By OUR EUROMARKETS STAFF

CHINA took a further step towards full acceptance in the international capital markets yesterday when Bank of China, the country's principal foreign trade bank, launched a \$200m floating-rate certificate of deposit issue (FRCD). The deal, led by Orient Royal Bank, is the first public financing for China in the London markets since the 1949 revolution.

Issues from Chinese entities are

expected in the Samurai and D-

Mark markets soon, though it may be some months before a fully

## Canadian Pacific reverts to single unit

By Robert Gibbons in Montreal

CANADIAN PACIFIC, the country's largest transport, industrial and resource group, is planning to merge into a single holding company again as it was before 1982.

CP already owns almost 70 per cent of CPE, the merger offer amounts to a bid for the publicly-held minority shares of

CP. First Pacific International (FPI) of Hong Kong said yesterday that Sears through its Sears World Trade subsidiary, would emerge with a Fl 81m (\$24.3m) holding in Hagemeyer following a restructuring of the loss-making Dutch-based commodities group, our Financial Staff writes.

Hagemeyer, currently 80 per cent owned by FPI, is to recapitalise with a share issue representing some 20½ per cent of its expanded equity. The issue, priced at Fl 55, will leave Sears with 20 per cent of Hagemeyer's South East Asian operations.

FPI will have its stake reduced to 55 per cent, while Sears will in addition take 75 per cent of the Hagemeyer activities in the rest of the world.

At the same time, FPI reported a \$3.35m net loss for the first half of 1985, which it attributed entirely to the deficit at Hagemeyer. FPI's trading and distribution arm of First Pacific Holdings, which is in turn controlled by the Liem family of Indonesia.

The same day, FPI separated its non-transport interests into Canadian Pacific Investments to speed diversification and keep them away from any government attempt to nationalise the railway and its property.

In 1982 CP became CPE. More recently both Power Corporation of Canada, the holding company of Montreal financier Paul Desmarais, and the Caisse de dépôt, the Quebec investment agency, became sizeable shareholders in CP.

Mr Desmarais sold out his direct interest for \$321m in June.

There is some speculation that CPE's strategy in merging with CPE is to put control further out of reach through increasing the number of shares outstanding. Management has always stressed that CP should be widely held with no single group exercising control.

CP said the merger would facilitate integration of both groups, and establishment of one management. It would lead to better co-ordination of financial resources, and the common shares of CP will better reflect the value of the assets and earnings of the combined corporation.

Most analysts agreed that the prime reason for the merger proposal is that Canadian Pacific wants to improve its operating and financial efficiency.

## FRENCH PHARMACEUTICALS GROUP BUILDS UP CASH FOR RAPID EXPANSION

### Sanofi on the takeover trail

BY PAUL BETTS IN PARIS

SAONFI, the fast growing health care and biotechnology company 60 per cent owned by the French state-controlled Elf-Aquitaine oil group, is to set up a war chest to enable it to seize new acquisition opportunities, especially in the U.S. and the Far East.

The health care company, which was created 12 years ago and has seen its sales rise from FFr 20bn a year in the 1970s to FFr 150bn (\$18.7bn) this year, recently announced a rights issue to raise FFr 800m and is planning to launch its first Eurobond issue on the international capital markets next year.

CP already owns almost 70 per cent of CPE, the parent company and holder of the transport subsidiary, wants to merge with Canadian Pacific Enterprises (CPE), which holds the non-transport industrial and resource interests.

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September 1985

# INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Washington, D.C.



Multicurrency Financing in the Equivalent of US-\$ 325,000,000 provided by UNICO-Banks

Co-ordinated by

**DG BANK**  
Deutsche Genossenschaftsbank

DM 200,000,000 6% Private Placement of 1985/1992

**DG BANK**  
Deutsche Genossenschaftsbank

Banca Nazionale

dell'Agricoltura SpA

Swiss Volksbank

London & Continental  
Bankers LimitedIn association with  
The Norinchukin Bank

**Genossenschaftliche  
Zentralbank AG** — Vienna

Andelsbanken a/s Danebank

**Rabobank Nederland**

Swiss Volksbank

London & Continental  
Bankers Limited**Crédit Agricole**

YEN 5,000,000,000 Private Placement of 1985/1992

The Norinchukin Bank

DKK 225,000,000 10% Semi-Private Placement of 1985/1992

Andelsbanken a/s  
DanebankGenossenschaftliche  
Zentralbank AG — ViennaCERA-  
Centrale Raiffeisenkas**DG BANK**  
Deutsche Genossenschaftsbank

Rabobank Nederland

Swiss Volksbank

B.E.G. BANK

London & Continental  
Bankers Limited

SFRS 50,000,000 Medium-Term Loan provided by

Swiss Volksbank

**B.E.G. BANK**

NLG 100,000,000 6% Euroguilder Notes of 1985/1990

Rabobank Nederland

DG BANK

Deutsche Genossenschaftsbank

**F. van Lanschot Bankiers N.V.**

Swiss Volksbank

AS 500,000,000 Private Placement of 1985/1992

Genossenschaftliche  
Zentralbank AG — Vienna

BFRS 1,500,000,000 Medium-Term Loan provided by

CERA- Centrale Raiffeisenkas

ECU 125,000,000 8% Semi-Private Placement of 1985/1993

DG BANK

Deutsche Genossenschaftsbank

Banca Nazionale

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Andelsbanken a/s

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London & Continental  
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Crédit Agricole

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All of these securities have been sold. This announcement appears as a matter of record only.

*silicon systems*

\$25,000,000

8½% Convertible Subordinated Debentures Due 2010  
Interest Payable on February 15 and August 15

The Debentures are convertible at any time prior to maturity into Common Stock of the Company at \$14.50 per share, subject to adjustment in certain events.

L. F. ROTHSCHILD, UNTERBERG, TOWBIN

ROBERTSON, COLMAN &amp; STEPHENS

Series 000

U.S.\$42,000,000

Short-term Guaranteed Notes  
issued in Series under a  
U.S.\$280,000,000  
Note Purchase Facilityby  
Mount Isa Mines  
(Coal Finance) Limited

Notice is hereby given that the above Series of Notes issued under a Production Loan and Credit Agreement dated 30th March, 1985, carry an Interest Rate of 8½% per annum. The Issue Date of the above Series of Notes is 11th September, 1985, and the Maturity Date will be 11th March, 1986. The Euro-clear reference number for this Series is 13725 and the CEDEL reference number is 580074.

Manufacturer Hanover Limited

Issue Agent

10th September, 1985

This announcement appears  
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August 1985

Financial Times

in

Düsseldorf

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# INTL. COMPANIES & FINANCE

BY WILLIAM DULLFORCE IN GENEVA

**Newmont**  
hopeful for  
Nevada  
gold find

By Ken Marston in London

AN "IMPORTANT" gold discovery in north-eastern Nevada is claimed by Newmont Mining, the diversified U.S. natural resource major in which London's Consolidated Gold Fields has a stake of 28 per cent.

Newmont says that drilling to date on the prospect — the "Genesis" — and others on the company's 400-mile Ranch property indicates a tentative 50m short tons of mineralisation, containing around 5m oz gold.

Assays results from 12 holes drilled to date to depths of up to 800 feet have given gold values ranging from 0.08 oz per gramme to a good 1.83 oz per short ton. In addition there are lower grade zones which could be amenable to heap, or dump, leaching.

The mineralisation appears to be an extension of that from the company's big Carlin open-pit gold operations, three miles away. Carlin, together with the company's Gold Quarry, Maggie Creek, Blue Star and Bootlegger mines in the area, have combined ore reserves of some 185m tons containing 12m oz gold.

● Newmont is paying \$165m for Aminol (Netherlands), a natural gas producer with an average output in the first half of this year of 27m cu ft a day. The seller is Phillips Petroleum, which bought Aminol from the U.S. and its foreign subsidiaries from R. J. Reynolds the tobacco group, last October for \$16m, via its Financial Staff writers.

The disposal appears to mark a further stage in Phillips' steady stream of asset sales as it struggles to relieve the \$7.8bn debt burden on its balance sheet incurred by the capital reconstruction which fended off the attacks of Mr T. Boone Pickens earlier this year.

Phillips' board was also expected to approve yesterday the sale of the company's geothermal energy reserves in California, Utah and Nevada. These have been on the block for several months and are likely to fetch at least \$200m.

## Jacobs Suchard expects to lift 1985 profit after price increase

BY WILLIAM DULLFORCE IN GENEVA

JACOBS SUCHARD, the Swiss coffee and chocolate group, expects to improve on last year's net earnings of SwFr 120m (\$60m) following a 10.4 per cent growth in sales to SwFr 2.7bn during the first half.

Higher commodity prices and currency fluctuations clipped profit margins during the six months, but the group has raised its prices to the consumer and is counting on these increases to maintain profit growth.

Formed in 1962 from the merger of Interfood (originally Suchard) and Jacobs, the group is among the world leaders on both the roast coffee and chocolate markets. Almost

40 per cent of sales are in West Germany and 24 per cent in France.

In the first half of 1985 coffee sales climbed by 24 per cent to SwFr 1.8bn and chocolate sales by 10 per cent to SwFr 873m.

During the period Jacobs Suchard raised SwFr 315m in new capital through a one-for-three rights issue, its second funding operation within a year.

The new capital will help fund a programme of expansion and diversification which is expected to lead to more acquisitions.

The group has recently rationalised its business by concentrating production in a few key locations

and trimming its product range to leading brands. During the first half it disposed of some weaker brands in Belgium and Spain. ● Adia, the Swiss-based temporary employment company, proposes to raise its dividend to shareholders from SwFr 40 (\$16.80) to SwFr 50 on the better shares, and from SwFr 20 to SwFr 25 on its ordinary shares, following the announcement of a 44 per cent rise in net earnings to SwFr 10.2m in the year ending June 30.

In the calendar year 1984 Adia boosted its revenues by 40 per cent to just over SwFr 1bn with 44 per cent of the total coming from the U.S.

The People's Bank has indicated that it has two main criteria in assessing the applications: a good credit standing and "fine relations with China." Foreign banks have a restricted role under regulations issued in April governing their presence in China's special economic zone.

According to the People's Bank, foreign banks have some chance of gaining access to the rest of China, but not in the near future.

## FT INTERNATIONAL BOND SERVICE

## INTL. COMPANIES &amp; FINANCE

## Western Mining boosts net earnings by 34%

BY MICHAEL THOMPSON-NOEL IN SYDNEY

WESTERN MINING Corporation (WMC), Australia's biggest nickel and gold producer, boosted net profit for the year to June 18 by 34 per cent, to A\$104.4m (\$20.8m) against A\$79.1m in 1983-84, thanks mainly to higher gold production and this year's sharp depreciation of the Australian dollar.

As a result it has raised its annual dividend from 4 cents to 6 cents a share.

Central Norseman Gold Corporation, its 50.5 per cent-owned subsidiary, had a 30 per cent gain in net profit to A\$12.5m and has raised its annual dividend from 20 cents to 35 cents a share.

Sir Arvi Parbo, WMC's chairman, said that if it had not been for the Australian dollar's depreciation, "you would be looking at something very sad mining companies."

WMC's average realised gold price for the year fell marginally to A\$422 an ounce, but it would have been a big fall if the local dollar had not suffered a severe marking down against its U.S. counterpart.

The group's equity-accounted gold production for the year

was 22 per cent higher at 294,000 oz. Because of recent fund-raising, WMC had more than A\$100m cash on deposit at the end of its year. "Sixteen per cent on your money is about the best mine rate is at the moment," said Sir Arvi. Turnover was 31 per cent higher at A\$661m.

The group said that Australia's industrial costs needed to be contained across the board, particularly wage costs. Sir Arvi added that WMC again hoped to raise its gold production in the current year.

At Central Norseman, earnings were aided by increased production at the Norseman mines in Western Australia (A\$1.556m or against A\$1.153m last year). In addition, its 50 per cent-owned Stawell mine in Victoria produced a maiden 9,638 oz.

Kenneth Marston, Mining editor, writes: Gold Mines of Kalgoorlie, Inc., and WMC has a 28.5 per cent holding, gained net profits for the year to June 18 to A\$8.8m or 54 cents per share, from A\$3.8m.

A final dividend of 20 cents (10.3p) is declared. It follows two interims, each of 15 cents, and a special dividend of 25 cents paid in December to mark the company's 30th anniversary. The total of 75 cents compares with 30 cents for 1983-84.

GMK draws virtually all its income from a 47 per cent stake in Kalgoorlie Lake View. Other holders of KLV are Pegasus (47 per cent) and Western Mining (6 per cent).

KLV income is derived from a 52 per cent share in profits of the gold-producing Kalgoorlie Mining Associates, the U.S. Homestake Gold having the remaining 48 per cent.

Kalgoorlie Mining Associates lifted earnings in the year to June 18 thanks to increased gold production of 234,057 oz against 194,302 oz coupled with reduced depreciation and amortisation following an increase of two years to 1985 in the mine's life assessment.

On the whole, however, average gold price received was some A\$15 lower at A\$425 an oz — it is currently around A\$470 — and operating costs increased in line with the higher ore tonnage treated.

## Bond may sell some assets of Castlemaine

MR ALAN BOND, the Perth-based entrepreneur, yesterday raised the possibility that Bond Corporation Holdings, his master company, might sell off some assets of Castlemaine Tokeh, the brewing group it acquired last month in a A\$1.1bn (US\$821.9m) deal.

Speaking in Hong Kong, he described Castlemaine as holding "a great amount of excess property."

## India to nationalise 19 unprofitable textile mills

THE INDIAN Government plans to nationalise 19 unprofitable and inefficient textile mills in a move aimed at improving efficiency and reducing consumer prices, AP-DJ reports. This is believed to be the first nationalisation move by Mr Rajiv Gandhi, the Prime Minister, who has called both for stronger private enterprise and better results from the public sector.

The takeover and upgrading of the mills was announced in Bombay by Mr Chandra Shekhar Singh, Minister for Supply and Textiles. He said the Government would nationalise 13 mills in Bombay, the administration of which it took over two years ago, and six more cotton mills in Kanpur, Uttar Pradesh state.

"We are determined that prices of cloth used by the common man must come down," Mr Singh was reported as saying.

## Sungei Besi expects loss

THE Malaysian oil-producing Sungei Besi Mines expects to incur another small mining loss in the current year to March as a result of reduced demand for and pending full production at the company's Balakong Coal Block areas, Our Mining editor writes.

In 1984-85 there was a mining loss of M\$1.62m (\$243,000) before credits, dividends and interest income of M\$1.57m and a provision for credit of M\$971,000. Dividend payments totalled 48 cents, valued at US\$9.62m.

DAIWA EUROPE LIMITED JAPANESE EQUITY WARRANTS SERVICE						
Date: Warrant Index: 120.45 (100 = 2nd Jan 1985)						
Wnt	Wrt Share	Wrt Premium	Price	Premium	Gear-Gearing	Ratio
Current Market Premium	(%)	(%)	(Yen)	(%)	(%)	
AICA KOGYO 17/8/80	12.00	33.00	768	21.19	4.28	4.43
CASIO COMPUTERS 6/3/88	12.50	33.00	1,200	4.78	3.74	1.28
CETECH 10/7/87	12.00	33.00	1,200	4.78	3.74	1.28
DOWA MINING 20/7/90	10.50	32.00	435	22.58	2.24	10.25
FOUR STAR CABLE 20/4/85	12.00	33.00	850	22.21	6.56	4.63
FOUR STAR CABLE 1/11/85	12.00	33.00	850	22.21	6.56	4.63
J & S 2/24/85	8.00	8.50	354	28.26	7.29	4.57
JUSCO 22/12/85	8.00	8.50	354	21.47	1.75	11.11
KUMHO 1/17/85	8.00	8.50	354	21.47	1.75	11.11
KUMHO PRINTING 20/12/85	20.00	21.50	2,200	12.72	5.08	2.50
MARUZEN 12/2/80	9.00	10.50	470	36.58	4.17	4.43
MITS. CHEMICAL 20/1/87	9.00	10.50	470	36.58	4.17	4.43
MITS. CORPORATION 2/1/85	22.00	24.50	520	4.41	4.21	1.05
MITS. PETRO. 1/12/85	22.00	24.50	520	4.41	4.21	1.05
MITSUI S&E 10/12/87	25.00	27.00	150	14.31	4.22	3.58
MITSUI METAL 10/2/85	11.00	12.50	251	24.49	2.27	21.05
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MITSUI METAL						

## UK COMPANY NEWS

## EuroFerries down £6m at mid-year

DESPITE a downturn in interim profits from £11.7m to £5.6m at the pre-tax level the directors of the European Ferries Group are expecting a satisfactory outcome for the full 1985 year.

They explain that the results for the first six months were very much in line with expectations bearing in mind that it is the second half which includes the peak tourist traffic trade.

And this, they say, traditionally governs overall profitability for the year.

Meanwhile, the interim dividend is being held at 1.1p net but the board consider it prudent to review the full-year figures before recommending the dividend policy for 1985—last year a final of 1.3p was paid.

Turnover for the first six months advanced from £126.8m to £190.8m—apart from its ferries the group has interests in ports and property.

Pre-tax profits included a £4.5m lower contribution from the associates at £1m. However, the absence of tax relief (£0.5m) and a slight dip in minorities left available profits at £24.1m, compared with £28m.

Extraordinary items took £1m (added £7.1m). Earnings per 25p share emerged at 1.7p, against a previous 3.5p.

During first six months the directors worked on integrating within Townsend Thoresen the P & O services that acquired for £12.5m during January this year.

They say losses on these services, which prior to acquisition

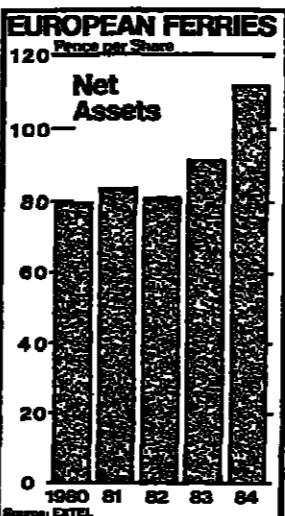


Mr Kenneth Siddle, chairman of European Ferries

were substantial, were reduced to approximately £1m in first half and are expected to be eliminated by year-end.

Without these losses the interim profits of the Townsend Thoresen group have increased by some £5.6m over 1984.

In their interim report the directors say that freight capacity was restricted on certain routes and while carriage improved slightly, they can only increase significantly when the current programme to jumboise



recently higher profits until the current major investment programme is completed—half year profits from the division rose to £4.5m (£3.8m).

Construction of the Trinity container terminal at Felixstowe should be finished during the second half of 1986.

It is pointed out that property profits are never particularly meaningful at the half-year stage, but an improvement in the Spanish operations at La Mancha Club is already apparent—the half-year loss was cut from £1.8m to £0.3m.

UK property profits (some again £0.8m) did not include a contribution from the group's £80m investment in Stockley. The directors anticipate increasing profitability from Stockley in the future.

In the U.S., Euroferries has been successful in joint venturing its investment in the Meridian International business centre with a major developer with considerable benefits to cash flow—U.S. property profits fell from £4.2m to £2.7m.

For the year as a whole the directors expect profits from the property division to be satisfactory.

The increase in head office interest costs (£0.1m) reflected heavy capital expenditure on the group's principal activities.

The proceeds from May's £7.6m rights issue were not recovered until mid-July.

See Lex

four ships is completed during 1986.

They add that for the duration of the ship conversion programme the company's operating difficulties will reflect profit announcement in this area—the shipping division incurred a mid-year loss of £0.1m (£0.4m profit).

Shareholders are told that better handling facilities in the same time improvements in efficiency, but that the harbours division will not return significantly.

In notes to the accounts the action group said:

"We believe that the sale of these assets may now be inevitable. But it will only

### Hawker spends \$9m on U.S. blower maker

Mr. Siddle has acquired Tramico Blowers, a leading U.S. maker of electric fans and blowers for electronic equipment, together with its UK subsidiary, for \$9m (£5.82m).

Torin will become a subsidiary of Fasco Industries. Hawker's wholly-owned U.S. offshoot, which makes a diversified range of electrical/mechanical products, Fasco with annual sales of more than \$300m, is a major supplier of fractional horsepower electric motors and blower assemblies.

Hawker said that Fasco became interested in acquiring Torin because business machine makers were increasingly seeking to buy complete air handling packages.

Torin had turnover of \$20m in 1984, of which 80 per cent in the U.S. and 20 per cent in UK subsidiary at Swindon. It supplies blowers for computers and peripheral equipment, process control and defence equipment.

### TSI profits advance by 51%

FURTHER PROGRESS and another acquisition was announced at the interim stage by the USM-quoted film, television and video facilities group, Television Services International.

On turnover more than doubled to \$4.55m, against £3.08m, pre-tax profit rose by 51 per cent to \$235,000 (£215,000). With earnings per 50p share coming out at 2.1p (1.4p), an interim payment was doubled to 1p. Last year a total of 1.5p was paid on a taxable earnings of £215,000.

The company has taken an option to buy Digital Pictures, a leading computer animation software company for a maximum of \$5.3m during the next three years. The price will be satisfied by TSI buying £500,000 of loan stock, a £30,000 cash payment to shareholders followed by prompt payments for three years, beginning in June 1987 to a maximum of £4.5m.

Digital was formed in 1982 and in the year to the end of January 1985 incurred a pre-tax loss of £113,000 on turnover of £198,000, which was almost three times higher than the previous year's £63,000.

It is TSI's second acquisition this year following the buying of Molinare Holdings, which provides film and audio production facilities, in February for £1.1m.

Mr. Andrew Lee, chairman, says the company is set to play a major role in the development of the group and great progress has been made in realising its potential. In the nine months to the end of January 1985 it incurred pre-tax losses of £1.1m but in the five months since it has been part of the group where those have been reduced to £0.4m.

The company adds that the benefit of the time and effort put into Molinare will be seen in the second half when it is expected to make a contribution to profits. Mr. Lee concludes that a significant increase in profits is expected in the full year.

cassette market and turning more to the U.S. where, Mr. Lee says, the results were extremely exciting.

Both TSI Video and TSI Films continue to make good progress and the investment programme completed last year is bearing fruit. TSI Video is becoming a major force in the facilities market and TSI Films has completed two more commissions for Channel 4.

With tax taking £134,000 (£80,000), and extraordinary items of £28,000 (nil), attributable profit came out at £98,000 (£135,000). Dividends took £78,000 (£22,000), leaving retained profit at £20,000, against £113,000.

Throughout the group, good progress is being made in all trading divisions and group profits will be considerably enhanced by the anticipated second half profits from Molinare. Mr. Lee concludes that a significant increase in profits is expected in the full year.

### Chloride dissidents attack sale of offshoots

By Charles Batchelor

DISSIDENT shareholders in Chloride, the hard-pressed British battery-maker, are to continue their attack on the company's policies at a special meeting called for next Monday to approve the sale of a large part of its overseas businesses.

The Chloride Shareholders' Action Group is seeking the support of institutional shareholders for an enquiry into the company's plan to sell its battery-making businesses in the U.S., Canada, Mexico, Australia and New Zealand to Dunlop Olympic of Australia for £34.5m cash.

In a letter to the institutions the action group said: "We believe that the sale of these assets may now be inevitable. But it will only

### Zambia and exchange rates limit British Vita

On the UK Mr. Peter Parker adds that progress has been made on the restructured divisions, but the main benefits are yet to accrue.

Group operating profit came out at £4.83m (£2.91m) and the pre-tax figures were struck after the share of profit from associated companies of £1.45m (£1.75m) and interest charges (£0.57m to £0.10m).

The pre-tax charge was £2.15m (£2.6m) and with minority interests taking £20.00m (£15.000) and extraordinary items £13.900 (£20.000 credit) the profit for the year came out at £2.75m, down by 17 per cent from £3.1m. Dividends took £0.97m (£0.04 Vita).

In notes to the accounts of the Manchester-based foam fabrics and fibres company, it says because of the continuing shortage of foreign currency in Zambia it has been impossible to renew some of the subsidiary's profits.

As a result the board is reviewing the value of the companies which were worth a total of £6.88m in the accounts at the end of last year and the results have not been included in the interim figures for the year.

The offshoots' pre-tax profits for the six months on turnover of £26.9m (£26.5m) and with minority interests taking £20.00m (£15.000) and extraordinary items £13.900 (£20.000 credit) the profit for the year came out at £2.75m, down by 17 per cent from £3.1m. Dividends took £0.97m (£0.04 Vita).

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## UK COMPANY NEWS

Anthony Jackson on Unilever's proposed U.S. takeover bid

## The attractions of the skin care market

UNILEVER'S proposed £1.3bn (£1.1bn) bid for Richardson-Vicks Inc (RVI) — the U.S. manufacturer of Vick's cough medicines and Oil of Ulay skin cream, is a strikingly bold move.

It also looks like the start of a long battle.

The difficulties are obvious enough. RVI's management, which claims to control over 30 per cent of the shares, has rejected the bid. It also intends to strengthen its defensive position further through purchases of its own equity.

But the opportunities for Unilever are equally obvious. At a stroke, the group would double its size in personal products and triple its fast-growing area, which despite the loss of its internationally-known brands in the Unilever portfolio last year accounted for only 5 per cent of group sales and profits.

Unilever's worldwide sales of personal products last year totalled \$1.04bn producing pre-interest profits of \$33m. RVI's sales of personal products last year are estimated to have been almost exactly the same as Unilever's. Pre-interest profits, however, seem to have been well over twice as high.

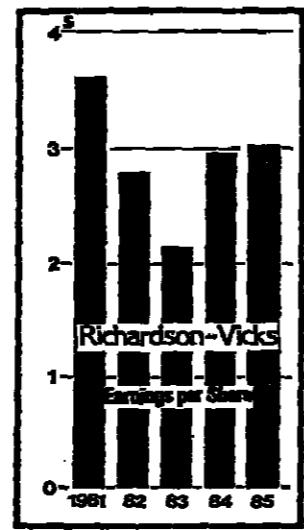
This partly reflects the strength of RVI's market share in the skin care Oil of Ulay is estimated to be a clear brand leader, with a market share of 8-10 per cent. But RVI is also active around the world, with over 50 per cent of its sales outside the U.S.

This is one obvious attraction for Unilever. The geographical fit seems to be a good one, with clear implications for rationalisation around the world.

The real lure, though, comes in product fit. Unilever is in the business of skin care, more or less as changing interests. Whereas the market that was once primarily remedial — that is, improving the skin of older people — it now appears to lean towards the preventative. Although the demand for cosmetics, deodorants, and dental care, for example, is still strong, as is the demand for OTC medicines, RVI has the Vick range — including



Sir Kenneth Durham, chairman of Unilever



portfolio in the first two of its categories. In the U.S. the Vick's Vicks Salsom range of hair care products is a well-known brand. It also owns a couple of strong brands in the dental market — Fasteth and Fixodent — which, as the name implies, are designed to keep false teeth in.

More important, though, RVI would take Unilever into the two areas of personal products which it has identified as clearly desirable — skin care, and OTC (over-the-counter or non-prescription) medicines.

Unilever sees the skin care market as changing its interests. Whereas the market that was once primarily remedial — that is, improving the skin of older people — it now appears to lean towards the preventative. Although the demand for cosmetics, deodorants, and dental care, for example, is still strong, as is the demand for OTC medicines, RVI has the Vick range — including

the famous vapour rub — and also Clearasil anti-acne preparations and a range of analgesics. By common consent, the OTC medicines business is becoming an increasingly consumer-oriented business. Although RVI is strong in the drugstore market, Unilever is particularly successful in areas of direct-marketing through its detergent and toiletries business.

It could be argued that Unilever is weak in the areas of research required for pharmaceutical development. There is indeed, some suggestion that RVI may not be very strong in that area either, since its demand for OTC medicines is in the U.S. group Dow Chemical in 1981.

However, Unilever has a very strong research department in the basic sciences, and would no doubt argue that it is equipped to contribute not only in the field of medicines, but also in that of skin care. Unilever's tactical case seems

a strong one. The group reckons to have an aggregate market share around 10 per cent in the personal care market in which it operates. Around the same figure, it would seem, as RVI would offer in its own complementary fields. This is a large enough figure to satisfy Unilever's criteria, but with luck not large enough to attract the attention of the antitrust authorities.

But the bid also has a wider strategic dimension. In both personal products and detergents, Unilever has had difficulties being accepted in a niche in the world's markets against long-established competitors such as Procter & Gamble and Colgate Palmolive of the U.S.

A critical element in that struggle has been the concept of global cash flow — the use of profits won in home markets to attack markets elsewhere around the world.

Until quite recently, the fight was unequal. From its forties in America, the U.S. companies enjoyed the high profit margins and cash flow associated with global leadership in a homogeneous, one-language market of 240m people.

In its own European fortress, Unilever had to cope with a heterogeneous mix of different cultures and the brand fragmentation which results.

Profit margins, in consequence, were often only half those of U.S. competitors on their home ground. In the U.S. meanwhile, it was essential for Unilever to maintain a presence. But the U.S. market became increasingly dominated by the U.S. subsidiary Lever Bros was making losses running to tens of millions of a year.

However, in the early 1980s, the picture changed. Unilever sent in a main board director, Mr Michael Angus, to tackle Lever Bros' problems and take a more aggressive approach to market. Although the financial assault continues to be heavy, the assault appears to be paying off in terms of market share.

## ACQUISITIONS AND DISPOSALS

## UNILEVER ACQUISITIONS

1978 National Starch (speciality chemicals)  
1980 Unilever Soaps (detergents)  
1981 Biohorn (edible fats)  
1982 Indus Lever (division of Unilever products)  
1984 Shedd (edible fats) Karakor (edible fats) 65 per cent Trium (edible fats) 74 per cent Brooke Bond (food and drink) Henkel (Brazil) detergents Falc (detergents) 50 per cent CPC Wet Milling Plant (chemicals) Norda (perfumes)  
1985 Ayclay (detergents) Simel (chemicals)

## DISPOSALS

1980 Synthetic Resins (chemicals) Lintas (advertising)  
1983 Carryline (transport) Eurochem (chemical) Bat Scores (flat retail operation)  
1984 Dendex (detergent cleaner) Centrifilm (blood analyser equipment) E. A. Thompson (waterproof coatings)  
1985 Baxters Brothers (part of Brooke Bond) Nairn Indi (beer covering) SPD (transport) Norfolk Line (transport) Macfarlanes (wholesale fish) Kennedy's (builders merchants) Mallison Denny (Simbar)

## RICHARDSON ACQUISITIONS

1978 Formby's (DIY woodcare products) Etablissements F Vibert (hair care)  
1980 Plus Products (health foods and nutrition) Tri-Flow (all purpose lubricant)  
1981 Dencon (detergent cleaner) Centrifilm (blood analyser equipment) E. A. Thompson (waterproof coatings)  
1982 Perogelco (cosmetics) Milk Creek (hair care products)  
1983 Pantene (hair care products) Vidal Sassoon (hair care products)

## DISPOSALS

1979 Jensen-Salsbury (veterinary) Tulex-Limelife-Bradley (plastic packaging)  
1984 Egg-a-Bug (insecticide preparations) Pess-Bessy (insecticide preparations)  
1985 Plus Products

## Low &amp; Bonar rises £1.9m and plans to pursue growth areas

Low & Bonar continued to make "excellent" progress in the six months ended May 31 and is vigorously pursuing growth areas, either through expanding existing businesses or through acquisitions.

The directors anticipate a more even split of pre-tax profits between the first and second halves than in previous years, and barring further adverse currency variations they expect to report a strong result for the year as a whole.

For the opening six months, group turnover advanced from £80.5m to £83.87m and at the pre-tax level profits surged by £1.87m to £8.86m — the group's interests are in packaging and plastics, high performance textiles and electronics.

In order to reduce disparity in the interim dividend is being lifted from an adjusted 2.2p to 3p net. The directors expect to recommend a final of not less than 6p (5.5p adjusted).

They say implementation of the new year-end policy is proceeding according to plan and point out that increased capital investments have been announced to expand the profitable flexible packaging businesses in the UK and north America.

Earlier this year the group strengthened its position in high performance textiles with the acquisition of 31 per cent of Carolina Formed Fabrics in the U.S., a company which has the latest technology in specially non-woven for the disposable industry.

In North America, as anticipated, small initial losses arose following the purchase of Carolina Formed Fabrics — the company from this acquisition will begin to accrue in 1986.

In electronics and plastics the figures are not comparable with those of the previous year, mainly due to the sale of Bonar Stanzler in Australia (for £2m) together with the sale of surplus land at Langley for £4.75m and the proposed sale of Bonar Langley, Altrincham for a sum in excess of £m.

Pre-tax profits for the first six months took in a same again £277,000 from the associates and was after interest charges of £330,000 (£1.12m).

Tax accounted for £1.73m (£1.73m) to leave the net balance at £83.86m, compared with a previous £1.86m. Profit attributable to shareholders emerged at £3.1m (£3.48m).

Sales of major activities no longer central to corporate strategy include Bonar Long in the UK (for £2.35m) and Bonar Stanzler in Australia (for £2m) together with the sale of surplus land at Langley for £4.75m and the proposed sale of Bonar Langley, Altrincham for a sum in excess of £m.

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Last month, both companies announced measures to strengthen themselves against possible takeovers. The contrast with Unilever, now launching its biggest ever bid in the U.S., is deeply ironic.

But for Unilever, the strategy is clear. In strengthening the group's position in personal products, the bid for RVI is a further attempt to take an axe to the competition's global cash flow at its roots.



Mr Roland Jarvis, chairman of Low &amp; Bonar

In the UK textiles profits of £835,000 were down on the corresponding period last year despite an increase in sales. This was primarily due to the continuing market share investment by Bonar & Flotter in the U.S. the benefits of which are expected in the second half of the year. Bonar Textiles had a favourable first half with increases in sales and profit and with continuing interest in its new polypropylene products for artificial playing surfaces.

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## Distillers 'deal' denied

TWO SCOTTISH banks reported to have formed a £750m consortium to back a £1.5bn bid by the Argyll Group for the Distillers Company are denying it.

Mr Robert Lourensen, deputy general manager of the Clydesdale Bank, said yesterday: "We are not at the present time involved in or committed to any such consortium." The Royal Bank of Scotland made a similar denial.

However, there seems little

doubt that talks have taken place between the two banks and Mr James Gulliver, chairman of Argyll.

In spite of the continuing rise in Distillers' share price, which closed another 16p yesterday to close at 408p, it seems equally certain that a bid from Argyll is not imminent.

Mr A. Scott, Mr Gulliver said no bid would be made for Distillers "at the present time."

## Organic growth in UK boosts Memec

ORGANIC GROWTH in the UK, augmented by a significant contribution from its recent acquisitions in West Germany, has resulted in substantial increases in both turnover and profits at Memec (Memory and Electronic Components).

In the half-year to June 30, 1985, sales increased by 90 per cent from £13.77m to £26.68m and pre-tax profits rose by 100 per cent from £1.96m to £3.81m. Operating subsidiaries acquired after June 30, 1984, have contributed sales of £7.7m and profits before tax of £104,000 to this result.

So far, 1985 has been a period of readjustment for the electronics industry and for distributors of electronic components and OEM systems products in particular.

The directors say the worldwide supply of semiconductor products continues to exceed current demand and, as a result, sales and margins have declined as manufacturers and distributors compete to maintain market share.

During the half, Memec established a new subsidiary, Insight Electronics Inc, in San Diego, California. Insight is following a similar trading strategy to that of the group's company in the U.S. and West Germany.

Startup costs of approximately £100,000 have been absorbed in this period. The board believes there are excellent prospects for profitable growth in many areas of the very large U.S. market.

The performance of the group's West German subsidiaries in

this period has been pleasing, they say, and these companies are expected to contribute a significant share to group profits in 1986.

The for the opening half was up from £26.68m to £51.5m and there were minority debits of £89,000 (£27,000), leaving attributable profits up from £1.02m to £1.17m.

The interim dividend is increased by 21 per cent from £0.125p to 15.25p net. Dividends of £2.277,000 were paid with £155,000 (£15,000) left over. Stated earnings per 10p share were 7.17p against 4.85p, an improvement of 49 per cent.

For the whole of 1984, Memec had pre-tax profits of £4.51m from turnover of £34.45m. Total dividends of 2.4p were paid and earnings per share for the year were 16.99p.

**Comment**  
Memec is still bucking the electronic sector's negative trend. Even with acquisitions stripped out, organic growth has been good and pre-tax margins were held over the 14 per cent

mark. April's £10.5m rights issue has funded one major purchase, the acquisition of the U.S. expansion and cleared the debt decks. The residual money should leave the group with a net cash balance of £1.7m at the year end. While Memec cannot easily escape the downside of the semiconductor cycle its exposure to the communications industry and of the chip market is limited. Likewise in peripherals the emphasis is on the upper part of the disc and printer markets rather than the more vulnerable High Street end. Flexible management appears to have kept the group out of the game although it may prove more difficult to apply lessons learnt in Europe to the new U.S. venture.

Now that operations are spread between three countries — UK, West Germany and the U.S. — tax rates will be hard to hold much below 45 per cent but this should still have the shares at 30p, up 12p, trading on a prospective multiple of just over 21 given forecasts of £28m pre-tax for the year.

Related companies turnover totalled £5.3m (£5.32m).

Profits from North America accounted for 47.4 per cent (41.4 per cent) of the group's turnover. The UK/EU/UK split to 1984/85 slipped to 33.3 per cent (33.3 per cent).

In the UK and European markets sales turnover for packaging and plastics increased by 16 per cent and all UK packaging companies reported increased profits.

Bonar in Canada also achieved a significant increase in sales and profit increased by over 25 per cent in sterling terms due to an effective devaluation of the Canadian dollar.

As in the UK, useful gains were reported across a wide range of products and operations.

This announcement appears as a matter of record only.



## Crédit Lyonnais

## Crédit Lyonnais

US \$ 250,000,000  
Subordinated Floating Rate Notes due August 1997

Credit Suisse First Boston Limited

Amro International Limited  
Bankers Trust International Limited  
Citicorp Investment Bank Limited  
Girozentrale und Bank der Österreichischen Sparkassen Aktiengesellschaft  
E.F. Hutton & Company (London) Ltd  
Merrill Lynch Capital Markets  
Manufacturers Hanover Trust Company  
Nomura International Limited  
St. Peter Port, Guernsey  
Manufacturers Hanover Bank (Guernsey) Limited  
Manufacturers Hanover House, Le Tréhou, St. Peter Port, Guernsey, Channel Islands  
Paying Agents  
Manufacturers Hanover Bank (Gu

## UK COMPANY NEWS

## UNION ELECTRICA FENOSA, S.A.

¥15,000,000,000

Currency and Interest Rate Swap  
into Fixed Rate ECUThis transaction was initiated  
and arranged by

First Interstate Capital Markets Group



August, 1985

Vita

## Group Interim Results

(abridged and unaudited) for the six months to 30 June 1985

## Progress in 1985

- Major expansion in Europe following French acquisition in mid 1984 and further acquisitions in Holland and Germany in July this year.
- Prospects increasingly encouraging especially with higher proportion of profits arising in UK and Europe.

Year	1984	1985	1984	1985
138,391	2,000	80,867	61,157	
	Turnover			
11,851	Profit on ordinary			
4,430	activities before			
1,513	taxation:			
5,908	United Kingdom	5,248	5,230	
24.3p	Europe	2,126	2,167	
6.2p	International	1,532	256	
	Earnings per share	10.2p	10.3p	
	Dividend per share	3.3p	3.0p	

NOTE—1985 figures exclude results relating to Group's Zambian interests.  
of £2,074,000 turnover and £269,000 net profit before taxation.Copies of the Interim Report can be obtained from the Company Secretary  
BRITISH VITA PLC, MIDDLETON, MANCHESTER M24 2OB

INTERNATIONAL LEADERS IN FOAM, FIBRE, FABRIC AND POLYMERIC PRODUCTS

## Notice of Annual General Meeting

FIDELITY  
WORLD FUNDSociété d'Investissement à Capital Variable  
37, rue Notre-Dame, Luxembourg B 9497

NOTICE is hereby given that the Annual General Meeting of the shareholders of FIDELITY WORLD FUND, a société d'investissement à capital variable, organized under the laws of the Grand Duchy of Luxembourg (the "Fund"), will be held at the principal and registered office of the Fund, 37, rue Notre-Dame, Luxembourg, at 11.00 a.m. on September 24, 1985, specifically, but without limitation, for the following purposes:

- Presentation of the Report of the Board of Directors;
- Presentation of the Report of the Statutory Auditor;
- Approval of the balance sheet at May 31, 1985 and income statement for the fiscal year ended May 31, 1985;
- Discharge of the Board of Directors and the Statutory Auditor;
- Election of eight (8) Directors, specifically the re-election of all present Directors, Messrs. Edward C. Johnson, 3d, William L. Byrnes, Charles A. Fraser, Hisashi Kurokawa, John M. S. Patton, Harry G. A. Seggerman, James E. Tonner and Finimtrust;
- Election of the Statutory Auditor, specifically the re-election of the present Statutory Auditor, Maurice J. Sargent;
- Declaration of a cash dividend to the shareholders from net investment income for the year ended May 31, 1985 and authorization of the Board of Directors to declare further dividends in respect of fiscal year 1985 if necessary to enable the Fund to qualify for "distributor" status under United Kingdom tax law.
- Consideration of such other business as may properly come before the meeting.

Approval of Items 1 through 7 of the Agenda will require the affirmative vote of a majority of the shares present or represented at the Meeting, without any quorum requirement. Subject to the limitations imposed by law and the Articles of Incorporation of the Fund, each share is entitled to one vote. A shareholder may act at any meeting by proxy.

Dated: August 20, 1985  
BY ORDER OF  
THE BOARD OF DIRECTORS.

## FIDELITY WORLD FUND

The Fund invests in a diversified portfolio of international securities that are believed to have superior potential for capital growth. Currently the portfolio is invested in USA (62.2%), Europe (14.9%), Japan (8.1%), Hong Kong (6.4%), UK (3.9%), Australia (1.5%) and Cash (3.0%). The Fund was launched on 6th July 1973 at the share price of \$10. On 29th August 1985 the Fund was valued at \$170m at the share price of \$35.77.

Copies of the Offering Circular and latest Quarterly Report can be obtained from Fidelity International at:

PO Box 670, Pembroke Hall,  
East Broadway, Pembroke, Hamilton, Bermuda  
Tel: (809) 295 0665 Telex: 0280 33189 Bond Street  
St. Helier, Jersey, C.I.  
Tel: (0344) 71695 Telex: 62739Persimmon  
20% ahead  
at six  
months

IN ITS first results since the offer for sales last April, Persimmon, the York based housebuilder, has seen pre-tax profits up by 20 per cent in the first half of 1985.

The result for the period to June 28, 1985, up from £27.6m, on turnover ahead by nearly £2m to £124.5m. As was the case last year, most of the profit will be made in the second half, and Mr Duncan Davidson, the chairman, expects a good result for the full year.

The dividend is 1.75p (nil)—a total of 4.75p was indicated in the flotation prospectus. Earnings per share stated at 6.4p per share (6.5p).

Since the flotation the company has increased its land bank substantially, and the chairman says that forward sales of houses are at a record level on a wide range of sites from Newcastle to Exeter.

Tax at the half way stage came to £24.5m (nil), against £10.5m, net profit on profits at £61.000 (£55.000). The interim dividend will account for £22.000 (nil), with retained profits at £39.000 (£35.000).

Capital TV and  
Crown Intl.  
merger details

DETAILS HAVE been announced of the proposed merger between Crown International Productions and Capital Television Facilities, two USM quoted film and video companies.

Crown will offer one of its own shares, suspended at 100p, plus 16p cash for every two Capital shares. This values Capital shares at 58p each, against a suspension price of 50p. There will be a cash alternative.

The details accompanied the Capital figures for the half year 1984. These show pre-tax profits of £475,000 (£376,000) on sales of £1.58m (£1.23m).

The directors say that depreciation has been altered to reflect a more realistic usage of equipment allied to a policy decision not to lease new equipment. This has resulted in a charge of £271,000 for the year, against £205,000.

The final dividend of 1.75p against 1.45p, adjusted for the two-for-23 scrip issue. That brings the total for the year to an adjusted 2.25p (1.45p). After tax of £130,000 (£83,000), earnings per share are stated at 3.45p (2.83p). There was an extraordinary credit of £57,000 last time.

The directors add that trading in the present year continues to maintain a healthy level of turnover and profit.

Centreway  
returns to  
the black

Centreway Industries, an investment holding company, returned to the black in the first half of 1985.

At £300,000 pre-tax, the first half profit companies with the £79,000 earned in the corresponding period and follows on from the £21,000 loss incurred in the second half of 1984.

There were improvements at S. J. and E. Fellows, Hermatic Rubber, and Westerly Yachts, but higher losses were suffered by Digico Computers and a turnaround in loss by the Vehicle Group, while Edge Shavers turned lower profits. Overall, group turnover was up from £14.85m to £14.96m and the taxable result was struck after higher net interest of £328,000 (£259,000).

In line with the chairman's statement in the last annual report, no preference or ordinary dividends will be declared at this time. However, given a continuation of the current recovery the directors are hopeful that preference payments will re-commence in a year's time.

## BOARD MEETINGS

The following companies have notified dates for their meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Details of the date, whether the dividends are interim or final and the subdivisions shown below are based mainly on last year's timetable.

**TODAY**  
International—Aegis, Autovoice, B.A.T., Industries and Hey Hill Investments, Blandford, Royal Docks, Moseley, Berkhamsted, Crays International, Cussons Property, Experian International, Hazelar, Horns Churn, Jardine Matheson, Jardine Matheson, White Fisher.

**FRIDAY**—Dutron International, Dunton, Fletcher Challenge, Korda, London Stock Exchange, Matthew Foods, Media Technology International, Tosters, Holstec.

**DATED**—August 20, 1985  
BY ORDER OF  
THE BOARD OF DIRECTORS.

## FUTURE DATES

Alexander Worldwide ..... Oct 15  
Aldermore Resources ..... Sept 15  
Bodycote International ..... Sept 19  
Empire State (Bradford) ..... Oct 1  
Empire State (London) ..... Sept 22  
Grodan International ..... Sept 12  
Groveball ..... Sept 13  
HB Electronics Components ..... Sept 14  
Hewlett-Packard ..... Sept 17  
JSD Computer ..... Sept 17  
Jones and Shipman ..... Sept 18  
Mackay (Hugh) ..... Sept 18  
Ogden ..... Sept 18  
Powerline International ..... Sept 20  
Renown, Inc. ..... Sept 20  
Wolstenholme Risk ..... Sept 20  
Wordplex Information Systems ..... Sept 27

**Final date**  
Colt Industries ..... Sept 16  
Dai-ichi ..... Sept 16  
Insite ..... Sept 19  
Mucklow (A. and J.) ..... Sept 19  
Winton Investment Trust ..... Sept 19  
(Amended)

## Our Price surges 50% to £1.8m

A GENERAL boom in the sales of recorded music helped Our Price, a fast-expanding record retailer, to achieve pre-tax profits of £1.5m in the year to May 28, up 50 per cent on the previous year's £1.0m.

It increased its market share from 3.6 per cent to 7 per cent in the 12 months to March 1985 to sales up 37.5 per cent. In the same period, according to recent figures from the British Phonographic Society, the market grew by 12.5 per cent compared with a year earlier.

In the year to May 28, turnover (excluding VAT) was up 39 per cent to £86.25m (£26.8m). The growth is reflected in a final dividend of 3.5p, making a total of 5p for the year against nothing a year earlier.

Mr Nesbitt, chairman, says that during the year Our Price opened 21 new shops, refurbished five others and closed three, having moved the business to improved locations.

The total retailing area of its 100 shops is now 111,000 sq ft, a 35 per cent increase over the year. In the current year it expects to open a further 20 to 30 shops. Some relocations into larger shops are also planned.

Mr Nesbitt says: "In the current climate of competition

for prime sites in the high street, I feel it is important that we continue to expand our chain of shops as quickly as we are able."

The expansion and the encouraging trading results so far suggest that the current year

will provide a satisfactory result,

he says.

Trading in all products was buoyant throughout the year, he says, with a continuing growth in sales of classical music and strong growth in compact discs.

Operating profit was up to £1.8m (£1.1m). Interest charges of £45,000 (£104,000) and tax of £798,000 (£275,000) left

profits of £1.02m (£600,000).

There were no extraordinary

debits compared with £704,000 a year ago.

Earnings a share

were 14.7p (15p).

At actual tax

rate for 1985 of 44 per cent earnings were 14.7p per 20p share (£1.02m).

Our Price is expanding outside

its traditional area of London

and the South, says Mr Nesbitt,

and has opened its first operating

region outside the area, in

Nottingham, which will manage

all shops in the Midlands and

further north. Shops in

Lincoln and Telford.

Additional sites have been

identified and negotiations

are underway, he says.

The underlying turnover in-

crease in the like-for-like basis

over the next financial year was

15 per cent by the end of this

year. Interest charges are

certainly due to rise from the

current low levels.

Competition

is most likely to come from

W. H. Smith's plan for a music

chain rather than Virgin and

HMV.

Our Price is sticking to

its modest sized shops rather

than big box stores.

The percentage

is likely to be about

44 per cent.

**Comment**

The revival of demand for

recorded music in all its forms

is a welcome sign.

over the last couple of years is

amply demonstrated by Our

Price's strong performance.

On the last day of the financial year

the company opened its 100th

shop and is planning another 25

to 30 outlets this year. So

things carry on.

Michael Nesbitt and

Michael Jones are pleased



## TECHNOLOGY

EDITED BY ALAN CANE

## Clay coating tailored to suit

GLOSSY MAGAZINES with smudge-free print, lighter mail-order catalogues and cars with plastic components may result from materials research at English China Clays (ECC), the world's biggest producer of china clay or kaolin.

Such developments could follow from advances in processing techniques with which the company can specify, with considerable accuracy, the sizes and shapes of the microscopic clay particles that emerge from its refining plants.

This gives the company, based in St Austell, Cornwall, the opportunity to tailor to the needs of its customers the dimensions of a mixture of particles for a particular application, to provide, for instance, a coating layer on paper or a

strengthening compound for a plastic.

In this way, customers can choose a type of clay particle for a paper coating to ensure that the weight for a particular quality is kept to a minimum.

As a result, the paper company may be able to keep products such as catalogues low in weight and so they cost less to send through the post.

In other examples, a paper company can dovetail the size of kaolin particles with the requirements of a specific printing technology. Or, a customer involved in plastics applications may be able to select a type of filler for a polymer material that lends to the finished plastic a particular quality of strength or durability.

The requirement of the paper

industry are particularly important for ECC, which sells 90 per cent of its kaolin to big paper companies such as Kaukas of Finland, Beghin and Condat of France, Holland's KNP and Haindl and Feldmuhla of West Germany.

These companies use kaolin — which accounts for about a third of ECC's annual turnover of £60m, the rest of the annual sales coming from activities such as quarrying, construction, either for filling gaps in the cellulose framework of paper to lend strength or to act as a coating medium to improve appearance.

The coating problems translate to a need to add to the top of a network of fibres a layer of material that, as well as being as thin as possible, has the right degree of glossiness and absorbs ink in a way suited to a particular printing process. The fibres themselves are criss-crossed in a lattice arrangement to leave gaps (which must be covered and filled to a certain degree by the coating) that may be only a few micrometres wide.

The coating challenge is similar — though on a microscopic scale — to spreading a layer of honey onto a slice of bread. The honey must coat the bread satisfactorily, must not sink too far into the pores in the bread's structure and at the same time must look suitably enticing. Solving the technical problems of coating is of fundamental concern to the paper industry, for which sales of coated papers (for products such as high-quality writing papers and

glossy magazine) represent an area that is growing relatively fast.

About 60 per cent of the clay ECC sells to the paper industry ends up as coatings, the rest as filler.

Similar problems are found in the plastics industry, a relatively new customer for china clay which is growing in importance. Companies such as Du Pont, BASF, Bayer and ICI are interested in using the St Austell company's new ability to supply sizes of kaolin particles which could be crucial to the development of high-strength plastics for car components, for example.

While producers of china clay have traditionally supplied the material as mixtures of very small particles — with dimensions of 1-2 millions of a metre (micrometres) — researchers at ECC have in recent years come up with ways to produce clay containing particles with dimensions five to ten times bigger.

These changes in size fundamentally affect physical interactions between the clay and the other materials such as cellulose fibres, ceramics, plastics and paint to which it is later bonded.

ECC both developed the of abrasive material and the length of time the kaolin stays in the machine. "We can exercise control over how the kaolin particles break," says Mr Brochner.

The new refining steps feature flotation technology, in which clay particles are separated from a mixture containing other substances by adding a water-soluble organic chemical that bonds selectively to the clay.

Fixed to a chemical in this way, the clay is borne on a stream of bubbles away from the solution containing the mixture.



China clay pit: high-pressure water jets free clay from the rock for refining

## CHINA CLAY REFINING

IMPORTANT steps in the refining of china clay are as follows:

• Clay is obtained from pits, along with other minerals, by the firing at the rock of high-pressure water jets. The clay, mixed with minerals such as mica and quartz, enters a refining plant by pipeline.

• The main separation technique in such plants is based on classifiers called hydrocyclones, in which rock particles are separated through water under pressure. The relatively small clay particles (normally 1-2 micrometres in dimensions) travel faster than the bigger fragments of other rock and flow over the edge of a large basin to be collected. They are later dried and sold to customers as pellets.

• The materials separated using the hydrocyclone can be subjected to secondary treatment using flotation techniques. This ensures that relatively big particles of

clay (about 2 to 20 micrometres in dimensions) can be recovered from a mixture of rock that would otherwise be discarded. In flotation, the kaolin, made water-repellent by the addition of an organic chemical, is separated from the other minerals on a stream of bubbles.

• A further stage of separation, which English China Clays has introduced relatively recently, involves the stock of rock separated out at the pit itself, by mechanical means such as excavators. Until the past year or so, this rock, containing kaolin particles of dimensions 10-50 micrometres, was judged to have too little clay for the orthodox refining steps and was dumped. ECC is now refining this using flotation techniques.

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These changes in size fundamentally affect physical interactions between the clay and the other materials such as cellulose fibres, ceramics, plastics and paint to which it is later bonded.

Developments in process technology over the past ten years

have helped the company gradually to increase by a quarter the yield of clay from its mining operations.

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Fixed to a chemical in this way, the clay is borne on a stream of bubbles away from the solution containing the mixture.

DAYMARC CORPORATION, the U.S. company known mainly for component handling systems used in electronic manufacturing, has developed an equipment that tests the components as well.

The move is unusual in that the move is unusual in that the established companies in automatic testing have pulled out of the discrete component test market to concentrate on auto-testing of integrated circuits and printed circuit boards.

Daymarc says that in spite of predictions of an early death, the discrete semiconductor market remains strong with world sales topping \$300 annually. Many of these are signal and power devices that do not lend themselves to integration into "chips."

The company claims that its system is the first "genuine" new design to be offered in six years. It uses parallel testing, in which up to four components can be dealt with at the same time. The various voltage and current tests are shared between the stations.

Known as PTS, the machine can be supplied with many combinations of test electronics and handlers. For example, the model 1720, dedicated to testing signal diodes, can handle 36,000 components an hour. More from Daymarc's UK office on 0433 67215.

## U.S. prepares for the end of the leaded petrol era

AFTER more than 80 years, leaded petrol is set to disappear from the U.S. market. Within ten years the substance, also known as ethyl petrol, containing tetraethyl lead (TEL) or tetramethyl lead (TML), will no longer be on sale.

About 80 per cent of all the lead emission in to the air come from the engine exhausts of vehicles which burn such petrol. Lead gets into the air as a result of adding ethylene dibromide (EDB) to TEL/TML. EDB is suspected of being a human carcinogen, and is added to TEL/TML to reduce lead deposits that would otherwise accumulate inside car engines, preventing valves from seating.

Breathing lead-tainted air results in increased levels of lead in the blood, with the "dangerous" threshold at 25 micrograms a deciliter. Effects on health range from high blood pressure or anaemia to kidney failure or mental retardation, with young urban children from nine months to six years especially vulnerable.

With an accumulation of convincing evidence of health damage documented by the federal Environmental Protection Agency (EPA), issued "final regulations" in March on a two-stage phase-down of lead in petrol. Reduction of three other exhaust-gas pollutants also are involved: unburned gasoline hydrocarbons (HC), carbon monoxide (CO), and nitrogen oxides (NOx).

The EPA ruled that, from July, lead in petrol would be phased down from the previous maximum of 1.10 grams per gallon (g/gal) to 0.50, and to 0.10 on January 1 1986. A total lead ban — technically 0.05 g/gal — is possible from January 1988. The agency says the regulations will eliminate production of lead in petrol by at least 272m grams of lead by the end of 1994. Annual lead usage will decline from 44.3bn grams to about 2bn in 1994.

Leaded petrol accounts for about 40 per cent of total U.S. annual consumption of 100.6bn gallons. The EPA estimated illegal fuel switching contributes about 12 per cent to total emissions of HC, CO, and NOx.

The death knell for this profitable market was rung by General Motors Corporation, which invented and developed TEL in the early 1920s and, with Standard Oil of New Jersey (now Exxon), formed the original "Ethyl" Gasoline Corporation in 1924.

When the Clean Air Act became law, in 1970, GM announced it would equip its cars with a catalytic exhaust-cleaning device to help reduce

Bob Rahder on how Americans are gearing up to tighter controls on pollutant petrol additives

Many are unhappy with March regulations. The agency ruled out a total lead ban on the grounds that pre-1973 cars and other road and off-road vehicles allowed to use lead — require a trace of the element to prevent possible engine valve damage.

Some owners of these vehicles claim that the 0.10 g/ga level is too low to provide protection.

Opponents of TEL/TML claim that engine protection is a miserable excuse for continuing to poison people. Ethanol (ethyl alcohol) producers agree, and are happy to point out that ethanol, added to gasoline to form gasohol, not only boosts octane by three points but emits no lead or ethylene dibromide, while sharply reducing carbon monoxide emissions.

Many refiners objected strongly to having only until December 1985 to provide the 0.10 lead level. At least one major company, Shell Oil, predicts only "modest difficulty," while The National Co-operative Refiners Association endorses the schedule as did such companies as Ashland Oil and a number of independents.

Those who object to the timing predict turmoil in the market: some refiners may be forced to shut down, others to cut production, possibly leading to a petrol shortage. In the time allowed, they claim, they will be hard pressed to expand or build new units to produce the octane-enhancing additives required to offset the loss of lead.

Americo, for instance, claims the short time-scale has contributed to a sharp price increase in toluene, one of the aromatic octane-enhancers. Aromatic loss from lead phase-down also provides feedstocks for the chemicals industry.

But the EPA and many refiners report that refinery reforming units used to make aromatics now operate at only 50 per cent capacity.

There is also a growing demand among many U.S. refiners for a tariff on imported petrol, which they say sells in the U.S. at prices below their production costs. The phase-down schedule further weakens their position, they claim.

**"Who's instrumental in harnessing the sun's power?"**

**"Gould."**

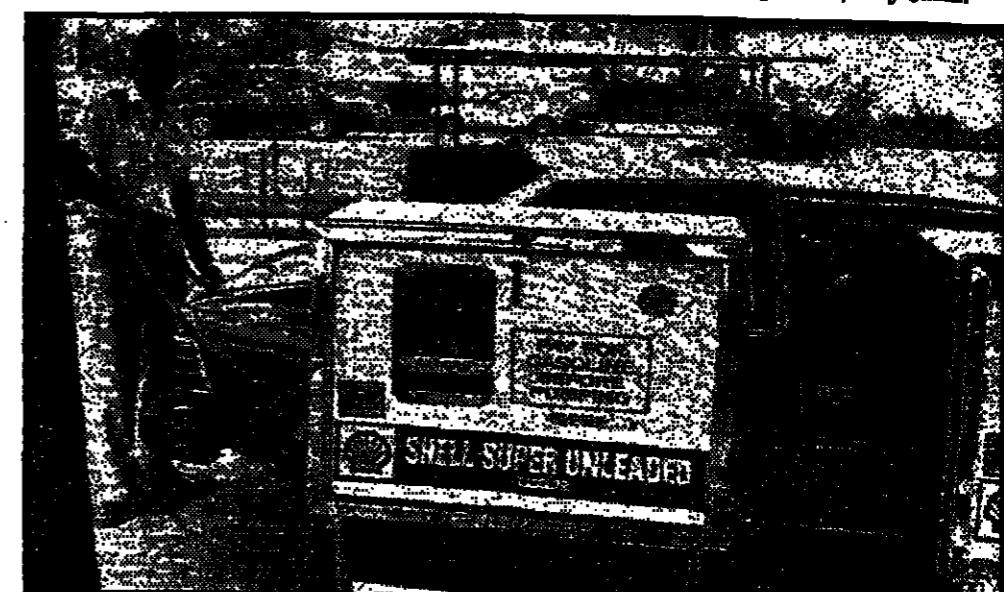
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**GOULD**  
Electronics



APPOINTMENTS

## Managing director at Hyster Europe

**HYSER EUROPE**, part of the U.S. based Hyster Company, has appointed Mr. David M. Pollock as managing director. The position, vacated by Mr. J. Philip Frazer when he became president of the U.S. parent in June, Mr. Pollock joins Hyster after a spell as vice-president with Quan Corporation.

\* \* \*

Following the appointment of Mr. Geoff Griffiths as president and chief executive, HOGAN SYSTEMS has appointed three associate directors. Mr. Mansel Jones for international technical and customer support, Mr. Hessey and Webster for sales and administration and Mr. John Moore, for international sales and marketing. All three were founder members of Hogan Systems in the UK under Mr. Richard Warren who has moved to a senior vice-president's post in Dallas.

\* \* \*

Mr. J. Allan Houghton has been named a divisional director of MCDERMICK & COMPANY (UK). Mr. Houghton is responsible for all sales and trading of bulk food ingredients as well as the supervision of fast food and restaurant chain accounts.

\* \* \*

THE BANK OF NEW SOUTH WALES has made the following appointments at its London branch: Mr. G. E. Webster becomes assistant chief manager and Mr. J. L. Dorsey senior manager. Mr. Webster is the deputy head of the London branch and Mr. Dorsey is head of corporate finance and marketing department.

\* \* \*

THE PORCHER GROUP has made Mr. Alan Roberts a main board director with special responsibility for development. Mr. Roberts was vice-chairman of the Linked Life Assurance Group.

\* \* \*

Mr. Victor Wood has been elected a non-executive director of LIFE ASSURANCE SOCIETY. He was managing director of Noble Lowndes.

\* \* \*

BRITISH RAILWAYS BOARD has made Mr. James Evans, chairman and managing director of Transmark—British Rail's

in October 1984.

\* \* \*

Solution to Puzzle No. 5,816

### ACROSS

- Turn four vessels round (6)
- Saw off the tongue (6)
- Barrels found around ancient dump (8)
- A Northerner retreats in alarm (6)
- Slave in the pet's cemetery (8)
- Going for a book (6)
- Unorthodox saint one found in a Baltic state (8)
- Extra charge made by a TV organisation (3)
- Half turn to the church and the sound of bells (6)
- Sailor remains in Cornwall (7)
- Friend tucked in, showing relish (6)
- She's not allowed in bed (3)
- Shot by firing squad and carried out (8)
- Discovery means plea is changed (6)
- Nothing daunted, I printed a different version (6)
- Nice cake; is it? (6)
- Clubbable all-round (4-4)
- Draw results in little play (6)

7 More ideal state (8)

- Upset at dense and poor part of London (4, 3)
- It's many toothed and spotted (3)
- Tree snake (3)
- Pile of food the farmer may plunge his fork into (8)
- Clear evidence of what a ship is carrying (8)
- Is it operated by the ring-finger (4-4)
- Giving up selecting the best players we hear (6)
- Pulse is fast at one fifty (6)
- Magnificent Slav round up (6)
- It's erected for the reception (6)

Solution to Puzzle No. 5,816

### DOWN

- Gilbertian virtue (8)
- State carriage? (8)
- Payments subject to approval (8)
- A woodsman at play? (6)
- He has absolute control of the French vessel (6)

MINNEYERHARVE

DING S A N I P W

REAL GAS EMAHILI

IS S D P R S C T

Y O C H E R N D O T

Y E S P R A R P T

T O W E R H O R E M E S H

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## **AUTHORISED UNIT TRUSTS & INSURANCES**

## **INSURANCE, OVERSEAS & MONEY FUNDS**

## COMMODITIES AND AGRICULTURE

# Hopes improve for UN agricultural fund

BY JAMES BUXTON IN ROME

THE INTERNATIONAL Fund for Agricultural Development, the Rome-based UN agency which aims to assist the poorest farmers of the third world, says it believes the problems surrounding the replenishment of its resources are at last close to a solution.

The medium-term future of IFAD has been in doubt for two years, principally because of the reluctance of the U.S. to make a contribution to the second round of the replenishment of its funds, by an amount of between \$500m and \$650m.

The U.S. has objected principally to the decision of other IFAD members to allow a reduction of the proportion of IFAD funds contributed by Opec countries.

IFAD, which has committed

loans amounting to more than \$2bn, was founded in the late 1970s as an equal partnership between OECD and Opec countries for the benefit of other developing nations. Members are now prepared to accept a 60-40 per cent split between the IFAD and Opec countries.

This encountered U.S. objections.

IFAD says that hopes of settling the issue arose at a meeting of its executive Board last week. Board members felt that formal negotiation could now be resumed and would soon lead to successful conclusion.

Mr Idris Jazairy, Algerian president of IFAD, is reported to have convened a meeting of the House of Representatives before the summer recess, approved a contribution of up to \$150m to IFAD's resources.

IFAD would not explain officially yesterday why it is

now optimistic about the replenishment issue. Yesterday the U.S. embassy in Rome said that there had been no change in the official U.S. position.

But an official said that it was possible that Ifad's perception of the U.S. position had altered. There have been frequent informal discussions between IFAD and U.S. representatives in Rome.

Many details of the second replenishment remain to be ironed out, including its exact size. But the way is now slightly clearer than before for a U.S. contribution since the House of Representatives, before the summer recess, approved a contribution of up to \$150m to IFAD's resources.

The Bill has still to be approved by the Senate.

## New look for commodities price tables

THE COMMODITIES and Agriculture page today takes on a new look. The change in format involves some slight alterations in our price tables. The Paris sugar quotation, for example, moves to a new slot together with London sugar futures. Meat futures and fatstock prices are grouped together. And for reasons of space, we have reluctantly decided to drop quotations of Rotterdam grain prices.

Instead of daily prices for wool and cotton, we are presenting a new weekly market report for both commodities. This will alternate with weekly reports on jute and hides as follows: cotton on Tuesdays; jute on Wednesdays; hides on Thursdays; wool on Fridays.

## Malaysia and Indonesia plan talks on surpluses

BY OUR COMMODITIES STAFF

MALAYSIA AND Indonesia, South-East Asia's two big competing commodity producers, are to hold ministerial talks later this month in Jakarta on the surpluses currently afflicting several of their key exports. Datuk Paul Leong, Malaysia's Primary Industries Minister, announced yesterday.

Datuk Leong's visit on September 23 and 24 is an indication of Malaysia's concern at low prices in rubber and tin in particular. He said he would seek Indonesian views on ways of halting the price decline and on measures to cut the surpluses.

The trip also comes against a background of increasing—if indirect—criticism from Kuala Lumpur of Indonesian cut-price competition.

Earlier this month, Datuk Leong criticised the World Bank for misleading developing countries with optimistic reports about the future of the rubber

industry, which is now facing one of its worst recessions in several years. Indonesia, which has been making strenuous efforts to diversify its economy away from oil, has been following Malaysia into production of commodities such as rubber and palm oil.

Malaysia is already taking the initiative in tin. At a meeting of tin producers due for September 17 and 18 in Canberra, Datuk Leong plans to call for further cuts in output.

He said at the weekend that such a move would be aimed at stabilising prices.

In addition, Indonesia has recently been expressing increasing dissatisfaction with the operation of the International Tin Rubber Organisation, which was forced to drop its price earlier this month owing to heavy support purchases by its buffer stock manager.

TEA auction

TEA PRICES were little changed at yesterday's weekly London auction. Quality grade was again unquoted. Medium grade gained 1p at 106p a kilo while low medium was unchanged at 106p a kilo.

## LEAD

UNQUOTEED x Sept-Oct. y Oct. + per 75-lb sack, c cents per pound.

1 Unofficial + or - High/low & per tonne

Cash 1000-5 -2.7% 1000/5

5 months 890-5-300 -2.8% 1000/5

Official closing (am): Cash 1048.5 (1022-5), three months 1072.3 (1063-5), settlement: 1047 (1028.5). Final kart close: 1074.5-75.

(tonnes)

Aluminium +3.0% 1840/75

Copper +6.7% to 213.50

Lead -750 to 35,200

Nickel -162 to 5,988

Tin +2.0% to 33,980

Zinc -1.7% to 34,150

(tonnes)

Silver -194,000 to 53,164,000

COFFEE

UNQUOTEED x Sept-Oct. y Oct. + per 100 lb sack, c cents per pound.

1 Unofficial + or - High/low & per tonne

Cash 1000-5 -2.7% 1000/5

5 months 890-5-300 -2.8% 1000/5

Official closing (am): Cash 1022.0 (1003-5), three months 1050.1 (1031.5), settlement: 1024.0 (1004.0). Turnover: 26,100 tonnes. U.S. producers price 40c a cent per lb.

COCA

UNQUOTEED x Sept-Oct. y Oct. + per 100 lb sack, c cents per pound.

1 Unofficial + or - High/low & per tonne

Cash 1000-5 -2.7% 1000/5

5 months 890-5-300 -2.8% 1000/5

Official closing (am): Cash 1048.5 (1022-5), three months 1072.3 (1063-5), settlement: 1047 (1028.5). Final kart close: 1074.5-75.

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Zinc -1.7% to 34,150

(tonnes)

Silver -194,000 to 53,164,000

COFFEE

UNQUOTEED x Sept-Oct. y Oct. + per 100 lb sack, c cents per pound.

1 Unofficial + or - High/low & per tonne

Cash 1000-5 -2.7% 1000/5

5 months 890-5-300 -2.8% 1000/5

Official closing (am): Cash 1048.5 (1022-5), three months 1072.3 (1063-5), settlement: 1047 (1028.5). Final kart close: 1074.5-75.

(tonnes)

Aluminium +3.0% 1840/75

Copper +6.7% to 213.50

Lead -750 to 35,200

Nickel -162 to 5,988

Tin +2.0% to 33,980

Zinc -1.7% to 34,150

(tonnes)

Silver -194,000 to 53,164,000

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## CURRENCIES, MONEY and CAPITAL MARKETS

## FOREIGN EXCHANGES

## Dollar optimism continues

The dollar continued its recent advance on the foreign exchanges yesterday. Rising U.S. money supply and economic data suggest a possible recovery in growth pushed the dollar to its highest level against the D-mark for two months. The latest figures on merchandise, auto sales and manufacturing employment have made forecasters upgrade their estimates of U.S. third quarter gross national product growth after a disappointing first half year. A final estimate of third quarter GNP is due on September 20, and is expected to be in the region of 0.4 per cent compared with 2 per cent in the second quarter. There are no major statistics this week, until Friday when it is hoped that retail sales and industrial production figures will provide further evidence of a better economic performance. At the same time, M1 money supply is well above the Federal Reserve's target range, and is expected to encourage the U.S. central bank from any reduction in interest rates.

The dollar rose to DM 2.0420 from DM 2.0280; FFr 8.9755 from FFr 8.9775; and SwFr 2.4275 from SwFr 2.4185.

Swiss are for Euro, therefore positive change denotes a

weak currency. Adjustment calculated by Financial Times.

The D-mark continued to

weaken against the dollar. The U.S. currency finished near the day's peak in Frankfurt at DM 2.0460, compared with DM 2.0360 on Friday. It eased back from a high point of DM 2.0540, showing movement above the Bank of Baden-Baden intervention above the DM 2.05 level. The German central bank did not intervene when the dollar rose to DM 2.0455 at the Frankfurt fixing from DM 2.0105 before the weekend. After opening at DM 2.0335 the dollar fell to a low of DM 2.0130 on rumours of possible Bundesbank intervention, but there was no intervention, but there was no further evidence of dollar sales by the authorities. Domestic bond prices suffered from the weakness of the D-mark, and money market rates are expected to remain steady, but as yet there is no pressure for an upward move. The Bundesbank set a securities repurchase agreement unchanged rate of 6.6 per cent yesterday, and Thursday's council meeting is not expected to tighten monetary policy.

STERLING

— Trading range

against the dollar in 1985 is

1.3828 to 1.6825. August average

1.5838. Exchange rate index fell

to 7.9 from 8.0. It opened at

80.8, the highest level of

the day, and fell sharply to a low of

79.2 at 2 pm.

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a fully integrated banking service

**DAIWA BANK**

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 Frankfurt Branch: Tel: (069) 55 02 31  
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 Daiwa Bank (Caribbean) Limited, London:  
 Tel: 101 622-1494  
 Daiwa Finanz AG, Zurich: Tel: (01) 211 03 11

**BRITISH FUNDS**

High Low	Stock	Price	Yield	Yield
<i>"Shorts" (Lives up to Five Years)</i>				
99 1/2	1984-1985	100	12.25	12.42
101 1/2	Each 11/1985	100	11.74	11.74
99 1/2	1985-1986	99 1/2	10.04	11.26
99 1/2	1985-1987	99 1/2	9.74	10.54
99 1/2	1985-1988	99 1/2	9.54	10.54
101 1/2	1985-1989	100	11.92	10.99
99 1/2	1985-1990	99 1/2	10.54	10.54
99 1/2	1985-1991	99 1/2	10.24	10.24
99 1/2	1985-1992	99 1/2	9.75	10.24
99 1/2	1985-1993	99 1/2	9.65	10.24
99 1/2	1985-1994	99 1/2	9.55	10.24
99 1/2	1985-1995	99 1/2	9.45	10.24
99 1/2	1985-1996	99 1/2	9.35	10.24
99 1/2	1985-1997	99 1/2	9.25	10.24
99 1/2	1985-1998	99 1/2	9.15	10.24
99 1/2	1985-1999	99 1/2	9.05	10.24
99 1/2	1985-2000	99 1/2	8.95	10.24
99 1/2	1985-2001	99 1/2	8.85	10.24
99 1/2	1985-2002	99 1/2	8.75	10.24
99 1/2	1985-2003	99 1/2	8.65	10.24
99 1/2	1985-2004	99 1/2	8.55	10.24
99 1/2	1985-2005	99 1/2	8.45	10.24
99 1/2	1985-2006	99 1/2	8.35	10.24
99 1/2	1985-2007	99 1/2	8.25	10.24
99 1/2	1985-2008	99 1/2	8.15	10.24
99 1/2	1985-2009	99 1/2	8.05	10.24
99 1/2	1985-2010	99 1/2	7.95	10.24
99 1/2	1985-2011	99 1/2	7.85	10.24
99 1/2	1985-2012	99 1/2	7.75	10.24
99 1/2	1985-2013	99 1/2	7.65	10.24
99 1/2	1985-2014	99 1/2	7.55	10.24
99 1/2	1985-2015	99 1/2	7.45	10.24
99 1/2	1985-2016	99 1/2	7.35	10.24
99 1/2	1985-2017	99 1/2	7.25	10.24
99 1/2	1985-2018	99 1/2	7.15	10.24
99 1/2	1985-2019	99 1/2	7.05	10.24
99 1/2	1985-2020	99 1/2	6.95	10.24
99 1/2	1985-2021	99 1/2	6.85	10.24
99 1/2	1985-2022	99 1/2	6.75	10.24
99 1/2	1985-2023	99 1/2	6.65	10.24
99 1/2	1985-2024	99 1/2	6.55	10.24
99 1/2	1985-2025	99 1/2	6.45	10.24
99 1/2	1985-2026	99 1/2	6.35	10.24
99 1/2	1985-2027	99 1/2	6.25	10.24
99 1/2	1985-2028	99 1/2	6.15	10.24
99 1/2	1985-2029	99 1/2	6.05	10.24
99 1/2	1985-2030	99 1/2	5.95	10.24
99 1/2	1985-2031	99 1/2	5.85	10.24
99 1/2	1985-2032	99 1/2	5.75	10.24
99 1/2	1985-2033	99 1/2	5.65	10.24
99 1/2	1985-2034	99 1/2	5.55	10.24
99 1/2	1985-2035	99 1/2	5.45	10.24
99 1/2	1985-2036	99 1/2	5.35	10.24
99 1/2	1985-2037	99 1/2	5.25	10.24
99 1/2	1985-2038	99 1/2	5.15	10.24
99 1/2	1985-2039	99 1/2	5.05	10.24
99 1/2	1985-2040	99 1/2	4.95	10.24
99 1/2	1985-2041	99 1/2	4.85	10.24
99 1/2	1985-2042	99 1/2	4.75	10.24
99 1/2	1985-2043	99 1/2	4.65	10.24
99 1/2	1985-2044	99 1/2	4.55	10.24
99 1/2	1985-2045	99 1/2	4.45	10.24
99 1/2	1985-2046	99 1/2	4.35	10.24
99 1/2	1985-2047	99 1/2	4.25	10.24
99 1/2	1985-2048	99 1/2	4.15	10.24
99 1/2	1985-2049	99 1/2	4.05	10.24
99 1/2	1985-2050	99 1/2	3.95	10.24
99 1/2	1985-2051	99 1/2	3.85	10.24
99 1/2	1985-2052	99 1/2	3.75	10.24
99 1/2	1985-2053	99 1/2	3.65	10.24
99 1/2	1985-2054	99 1/2	3.55	10.24
99 1/2	1985-2055	99 1/2	3.45	10.24
99 1/2	1985-2056	99 1/2	3.35	10.24
99 1/2	1985-2057	99 1/2	3.25	10.24
99 1/2	1985-2058	99 1/2	3.15	10.24
99 1/2	1985-2059	99 1/2	3.05	10.24
99 1/2	1985-2060	99 1/2	2.95	10.24
99 1/2	1985-2061	99 1/2	2.85	10.24
99 1/2	1985-2062	99 1/2	2.75	10.24
99 1/2	1985-2063	99 1/2	2.65	10.24
99 1/2	1985-2064	99 1/2	2.55	10.24
99 1/2	1985-2065	99 1/2	2.45	10.24
99 1/2	1985-2066	99 1/2	2.35	10.24
99 1/2	1985-2067	99 1/2	2.25	10.24
99 1/2	1985-2068	99 1/2	2.15	10.24
99 1/2	1985-2069	99 1/2	2.05	10.24
99 1/2	1985-2070	99 1/2	1.95	10.24
99 1/2	1985-2071	99 1/2	1.85	10.24
99 1/2	1985-2072	99 1/2	1.75	10.24
99 1/2	1985-2073	99 1/2	1.65	10.24
99 1/2	1985-2074	99 1/2	1.55	10.24
99 1/2	1985-2075	99 1/2	1.45	10.24
99 1/2	1985-2076	99 1/2	1.35	10.24
99 1/2	1985-2077	99 1/2	1.25	10.24
99 1/2	1985-2078	99 1/2	1.15	10.24
99 1/2	1985-2079	99 1/2	1.05	10.24
99 1/2	1985-2080	99 1/2	0.95	10.24
99 1/2	1985-2081	99 1/2	0.85	10.24
99 1/2	1985-2082	99 1/2	0.75	10.24
99 1/2	1985-2083	99 1/2	0.65	10.24
99 1/2	1985-2084	99 1/2	0.55	10.24
99 1/2	1985-2085	99 1/2	0.45	10.24
99 1/2	1985-2086	99 1/2	0.35	10.24
99 1/2	1985-2087	99 1/2	0.25	10.24
99 1/2	1985-2088	99 1/2	0.15	10.24
99 1/2	1985-2089	99 1/2	0.05	10.24
99 1/2	1985-2090	99 1/2	-0.05	10.24
99 1/2	1985-2091	99 1/2	-0.15	10.24
99 1/2	1985-2092	99 1/2	-0.25	10.24
99 1/2	1985-2093	99 1/2	-0.35	10.24
99 1/2	1985-2094	99 1/2	-0.45	10.24
99 1/2	1985-2095	99 1/2	-0.55	10.24
99 1/2	1985-2096	99 1/2	-0.65	10.24
99 1/2	1985-2097	99 1/2	-0.75	10.24
99 1/2	1985-2098	99 1/2	-0.85	10.24
99 1/2	1985-2099	99 1/2	-0.95	10.24
99 1/2	1985-2100	99 1/2	-1.05	10.24
99 1/2	1985-2101	99 1/2	-1.15	10.24
99 1/2	1985-2102	99 1/2	-1.25	10.24
99 1/2	1985-2103	99 1/2	-1.35	10.24
99 1/2	19			



## MARKET REPORT

## LONDON STOCK EXCHANGE

## RECENT ISSUES

## Slide in sterling prompts further setback in Gilts but international stocks firm

Account	Dealing Dates
First Option	Declares Last Account
Deals	Dealing Day
July 29	Aug 8 Aug 9 Aug 19
Aug 12	Aug 13 Aug 14 Aug 23
Sept 2	Sept 3 Sept 4 Sept 23

\*\* "New" deals may take place from 9.30 am two business days earlier.

The two main investment areas of London stock markets put on contrasting performances yesterday. Government securities came under renewed selling pressure in the wake of the pound's slide, while foreign equities, particularly the international stocks, made fresh headway.

With the prospect of a further reduction in short-term interest rates growing even slimmer, Government securities began to look distinctly unattractive. Offerings were few, but sellers remained in the ascendancy throughout the session. As a result short-dated stocks displayed losses ranging to 10p, while falls in the longer maturities extended to 14. Underlying strength was also reflected by movements in today's announcement of the money supply statistics.

The overall trend in the leaders was again distorted to a speculative activity, not least in certain extent by continuing Driller's, which closed 13 pence up at 105.50. The company may launch a bid for current protagonists Ederon, ELL, 12p up at 105. Green King, 10p up, and dipped to 230p before closing a net 12 off at 228p. Matthew Brown gave up 8 to 445p following a "switch" advice, while Vaux fell a like amount to 370p.

Buildings were content to mark time awaiting a number of important trading statements from second-line leaders later this week. Coal & Gas Group failed to report interim figures on Wednesday, hardened a couple of pence to 444p. Persimmon performed well and settled 7 up at a record 116p in response to better-than-expected interim results.

The latest decline in sterling ended a widespread support for ICI, which touched 660p before ending the day a net 8 better at 657p.

## Woolworth dull

Leading Retailers gave ground in quiet trading, the better-than-expected August provisional Retail sales figure appearing to offset an sediment. Woolworth interim figures expected tomorrow week, closed 12 off at 478p as a placing of around 5m shares was aborted. Second-line Stores were irregular. Body Shop spurted to 320p in a narrow market following a profit-taking. Fisons, 10p up to 630p initially, settled 10 off on balance at 615p after announcing preliminary results in line with expectations. Profit-taking clipped 15 from Dunhill at 360p, and 6 from Empire, 140p, but fresh enthusiasm was noted for the latter. Imperial, 10p up to 104p, and Value, 6 better at 88p, and William Bedford, 6 to 6 to 6 at 158p; the last mentioned is due to reveal interim figures today.

Unsettled last week by the stock profit warnings from Memcom and CASE, high technology stocks in general continued lower in nervous trading. Acora Computer reflected adverse comment at 73p, down 12, while falls of 10 and 15 respectively were seen in April, 110p, and Syntex, 200p. Systems Designers fell 8 to 88p and Mimesys shed 3 at 20p. Atlantic Computer, on the other hand, rose 5 to 340p in response to comment ahead of tomorrow's results. Memec closed 12 dearer at 350p in reply to the interim figures. Security Castles jumped 14 to 143p following the increased trading on Automated Security.

Hotels featured. Trafalgar Forte, 8 better at 147p, after 149p, reflecting bullish notices emanating from broker's lunch. Turner & Newall advanced 6 to 87p following comment ahead of Thursday's interim results, while Press mention also stimulated renewed interest in Marley, at 57p, up 8. U.S. bid hopes left CASE, 10p up, to 215p, after a further 3 to 212p, after 278p, while F. H. Thomas rose to 238p after comment on John Gutfreund's stake. Speculative buying fuelled by talk of an imminent cash injection helped Aéroport rise 3 to 35p, after 40p, but comment on the disappointing interim figures clipped 15 from Pearson, to 330p, after 322p. Sale Tilney, at 248p, and Lews and Bosan, at 308p, fell 9 and 12 respectively following the disappointing interim statements.

Carryover considerations prompted a revised support for Wimpey, 7 dearer at 210p. The interim results are scheduled for Thursday. Lucas, on the other hand, encountered profit-taking and slipped 15 to 370p, after 368p, but Automotive Products, mid-term results, due today, closed 3 up at 360p.

A couple of firm counters emerged among advertising agencies. Saatchi and Saatchi, aided by publicity given to a broker's circular put on 15 to 705p, while Lowe Howard-Spink, 10p up to 250p, still amid talk that the

## FINANCIAL TIMES STOCK INDICES

Sept.	Sept.	Sept.	Sept.	Sept.	Sept.	Sept.	Year ago
5	4	3	2	1			
Government Secs... 53.69	53.85	53.50	53.00	53.37	53.37	53.37	53.37
Fixed Interest... 68.26	68.40	68.46	68.46	68.39	68.37	68.32	68.32
Industrial... 108.02	108.04	108.04	108.04	108.04	108.04	108.04	108.04
Gold Mines... 212.9	214.2	209.6	209.9	209.2	209.7	210.8	210.8
Oil, Div. Yield... 4.63	4.65	4.68	4.64	4.64	4.64	4.60	4.60
Earnings, £1,000... 11.95	11.96	11.95	11.90	11.94	11.92	11.72	11.72
Total bargains... 10.90	10.91	10.78	10.77	10.79	10.85	10.25	10.25
Equity turnover £m... -446.99	475.26	382.10	392.75	385.90	376.09	376.09	376.09
Shares traded (mln)... 225.2	237.0	190.4	194.7	185.2	187.8	170.7	170.7

10 am 1024.8. 11 am 1022.6. Noon 1021.1. 1 pm 1020.6.

2 pm 1021.7. 3 pm 1020.8. 4 pm 1022.0.

Day's High 1025.5. Day's Low 1020.1.

Base 100 Govt Secs. 15/10/82. Fixed Int. 1022. Ordinary 1/7/85.

Last Index 101.266 1022.

\* NI=10.50.

\*\* NI=10.50.

Gold Mines 12/8/85. SE Activity 1974.

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Last Index 101.266 1022.

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# FINANCIAL TIMES

## WORLD STOCK MARKETS

### WALL STREET

### Firm dollar and data bring caution

HIGHER August unemployment statistics and the renewed surge in the dollar yesterday left market analysts more cautious and Wall Street uncertain, writes *Terry Byland* in New York.

Bond prices stabilised after Friday's rout, which wiped out almost all of last month's gains.

At the close the Dow Jones industrial average was up 3.58 at 1,339.27.

Suggestions that the unexpected dip of 0.3 per cent in U.S. unemployment in August indicated a strong upswing in the economy and might presage a tightening in Federal Reserve credit policy were challenged from several directions.

Discussing Friday's unemployment announcement, Mr Preston Martin, vice-chairman of the Federal Reserve Board, said: "I don't think it's a very strong report at all."

Dr Henry Kaufman, chief economist at Salomon Bros, believed the Fed would want "confirmation" of the economy's strength before tightening policy.

However, many analysts are convinced that the economy is rebounding strongly. "A certain optimism is starting to surface on Wall Street," said Mr Frank Cortez of First Michigan, citing the buildup in money supply and the latest car and retail sales statistics.

For the stock market, the point of decision comes early next month when U.S. industry reports on profits for the third quarter of the year. Nervousness over corporate earnings is heightened by the prospect of higher interest rates and a strong dollar.

Demand for technology stocks drove the market forward at mid-session. IBM, at \$130.4, gained \$1, while other strong spots included Burroughs, \$1 up at 86%, and Honeywell, \$14 higher at 864.

Airlines edged higher after a slow start. United added 5% to \$534, and Pan Am added 5% to 574.

The most active stock on the New York Stock Exchange was Richardson-Vicks, which bounded 5% to 545 as the board flatly rejected the bid approach from Unilever, the Anglo-Dutch conglomerate, and said it would buy in up to 5% of the shares "immediately" - which would give the board and the Richardson family effective control.

The share price remained well short of the \$54 offer from Unilever, which has said it would proceed only with the Richardson board's support. Wall Street could not identify any potential rival bidder willing to pay such a large premium on market price for Richardson.

Stock in SCM eased 5% to 5724 as Hanson Trust of the UK emerged as the victor in the bid struggle, and Merrill Lynch and the SCM management group backed down.

Turnover in the stock market remained moderate, but share losses held a slight majority over share gains in the first half of the session.

South African mining stocks, mostly traded in the form of American Depositary Receipts in the Nasdaq over-the-counter market, shaded lower in response to President Reagan's proposed economic sanctions.

ASA, the closed-end investment trust with investment in South African mines, dipped 5% to \$364 in light trading.

The Detroit car stocks were unpreserved by the forecast of record industry sales in 1985 from the chairman of General Motors.

GM at \$88.50 gained 5% in quiet trading, while Ford at \$44.4 was unchanged and Chrysler 5% better at 838.

Gelco, the vehicle fleet manager, eased 5% to \$19.4 after announcing results.

Other corporate reporters included H. J. Heinz, unchanged at 554. Coca-Cola edged up 5% to 570 after the board, predicting a 10 per cent gain in net earnings this year, said it would buy in up to 5% of the shares.

Also active in the consumer sector was General Foods, bounding up 5% to 587 on strong rumours of an impending bid by Philip Morris, which fell 5% to 580.

Also active on bid rumours, Cessna aircraft gained 5% to 527 in brisk trading.

In the credit markets, short-term rates made little movement, behind a federal funds rate still safely below 8 per cent. With no further economic data on the horizon at present, bond prices were sluggish but edged higher at mid-session.

### TOKYO

### Hesitation as concern surfaces

ANXIETY over the upsurge of U.S. interest rates and the yen's slide against the dollar pushed investors to the sidelines and share prices generally lower in Tokyo yesterday, writes *Shigeo Nishizaki* of *Kiti* Press.

The Nikkei-Dow market average shed 23.34 from last Saturday to 12,455.72 on a volume of 170m shares, the second weakest for this year and down from last Friday's 303m shares. Declines outnumbered advances 374 to 351, with 172 issues unchanged.

The U.S. unemployment rate for August, announced over the weekend, was lower than expected. Japanese investors had expected that the U.S. economic slowdown would lead eventually to lower interest rates in Japan. The yen's plunge against the dollar on the Tokyo Foreign Exchange Market also helped the downturn in prices.

The bearish tone on the market gathered momentum following reports that Zyma, the fifth largest pharmaceuticals maker in Switzerland, last Saturday suspended sales of the Cartergan liver treatment manufactured by Kanebo. Kanebo stock soared last month on investor appraisal of its growth potential when it began marketing Cartergan through Sankyo.

Kanebo shed Y88 to Y417 with the busiest trading volume of 10.21m shares, and Sankyo dropped Y60 to Y1,090.

Ajinomoto shed Y50 to Y1,180 after reports that a U.S. university's animal tests show that Aspartame, a sweetener manufactured by Ajinomoto, caused a brain problem in mice.

Other biotechnology-related issues also dropped, with Kyowa Hakko down Y30 to Y1,020, Kuraray Y30 to Y1,290, Kaken Pharmaceutical Y90 to Y2,970 and Daiichi Seiyaku Y80 to Y1,190.

Fiscal investment-related stocks lost ground on a wide front. Sato Kogyo weakened Y10 to Y438. Large-capital stocks such as electric power firms, and financial and real estate firms also closed lower.

However, some blue chips rebounded strongly. Nippon Climbed Y350 to Y8,050, TDK Y140 to Y4,070, Ikegami Tsushinki Y10 to Y1,600, Matsushita Electric Industrial Y30 to Y1,230 and NEC Y20 to Y20.

Minebea was traded busily on speculative interest, closing Y16 down at Y800.

Bonds opened lower due to an uncertain outlook for U.S. interest rates and growing concern over government regulations on capital outflows from Japan but staged a moderate rally later.

The yield on the benchmark 6.8 per cent government bond due in December 1994 dipped from last Saturday's 6.185 per cent to 6.175 per cent.

The government plans to curb large purchases of U.S. long-term bonds to stem the year's sharp depreciation.

### SINGAPORE

PROFIT-TAKING was responsible for a broad decline in Singapore, with interest rates leaning towards speculative issues. The Straits Times index lost 3.27 to 750.42 on substantially reduced turnover.

Among speculative stocks, Data Consolidated added 5 cents to \$1.74 on a turnover of 1.1m shares while Supreme Corporation fell 7 cents to \$1.73 and Pahang Investment 1 cent to 52 cents on heavy volumes.

Hotel, property and commodity stocks lost ground, with Selangor Properties one of the larger losers, easing 14 cents to \$1.78.

### CANADA

CANADIAN Pacific led Toronto lower during thin trading following the announcement of its plan to acquire the remaining 30 per cent stake in Canadian Pacific Enterprises.

The parent company traded CS14 lower to CS174 in active trading while the target company firmed CS2 to CS28.

After a strong start golds eased to continue their decline.

Montreal stocks were mixed in thin volume.

### EUROPE

### High ground lost to profit-takers

A REACTION inspired by profit-takers knocked prices down from the high levels reached last Friday, during generally active trading on European bourses yesterday.

Early selling in Frankfurt was counted by a late surge of foreign demand to leave prices mixed. The Commerzbank index fell 1.2 to 1,496.5 from Friday's record high of 1,498.7.

Selected blue chips rose as foreign buying increased, but motor issues again held the limelight, boosted by optimism ahead of this week's motor show in Frankfurt.

Porsche led the field, rising DM 17.50 to DM 1,367.5, BMW added DM 10 to DM 506 and VW, which has projected sharply higher earnings for 1985, gained DM 6.20 to DM 340.

The dollar's gains boosted engineering, with Linde, up DM 14 to DM 563, continuing to be the favourite in the sector. KHD added DM 1.50 to DM 295.50 and GHH DM 1 to DM 193.50.

Banks were again overshadowed by worries over the South African political situation. Deutsche rose DM 2.80 to DM 579.80 and Bayerische Vereinsbank DM 1 to DM 389 while Dresden lost DM 3 to DM 284 and Commerzbank DM 1 to DM 206.

Bonds recovered early losses of 70 basis points to close between 40 and 50 basis points easier. The Bundesbank bought a substantial DM 66.7m worth of paper after buying DM 9.1m on Friday.

After a week-long rally in Brussels, investors paused for breath, and prices ended mixed.

On Friday, Belgian stocks soared to all-time highs, pushing the stock index up more than 10 points. The rise in the index yesterday was more modest, however. The Brussels Stock Exchange index added 5.87 to 2,433.99.

Petrofina remained steady at BF 6,080, appearing unaffected by the announcement that it has appointed a new chairman.

Demand was strong for industrials, and Bekaert gained BF 70 to BF 6,370 as investors continued to react favourably.

Profit-taking left Stockholm mixed, with engineering recording some gains and retail stocks turning sharply lower.

Foreign interest in Ericsson, the telecommunications group, sent it SKr 11 higher to SKr 252, while car maker Volvo added SKr 3 to SKr 245 and Pharmacia SKr 5 to SKr 183.

Elsewhere in the blue chip sector, price changes were modest.

Milan also ended mixed as selective profit-taking depressed leading industrial stocks. Madrid closed slightly lower in quiet trading.

ability to the news on Friday that first-half profit for 1985 had risen.

Chemical stock Solvay continued its recent strong performance, gaining BFr 60 to BFr 5,180.

A lack of buyers in Amsterdam forced prices lower. Speculation that President Reagan may take action against the European Community over alleged unfair trade practices dampened sentiment as any U.S. protectionist measures could hurt European companies which have strong U.S. sales bases.

Banks and insurance led stocks lower. ABN was down F1 1.50 to F1 508 ex-rights, Amro 30 cents to F1 37.30 and NMB F1 2.70 to F1 211. NMB had announced earlier that it planned a 1-for-10 stock issue and that its dividend would rise by 10 cents.

In internationals, Unilever shed 50 cents to F1 339 after announcing a takeover bid for Richardson-Vicks of the U.S. Its \$54 a share bid was rejected as inadequate.

Heineken was one of the few issues to rise, gaining F1 4.50 to F1 153.40 on expectations of higher second-half profits.

Bonds prices eased by about 40 to 60 basis points as the dollar rose and investors revised their opinions on the direction of interest rates.

A modest decline in French short-term interest rates assisted prices to edge higher in Paris, but market enthusiasm was tempered by concern over upcoming capital increases and public offerings, which may drain liquidity from the market.

Food issues were especially favoured by the dollar's advances, and BSN added FFr 50 to FFr 2,290, Pernod-Richard FFr 5 to FFr 228 and Moët-Hennessy FFr 20 to FFr 1,984.

Matra led technology issues with a FFr 82 rise to FFr 1,742 after news that it had won two U.S. orders for its automated subway system.

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### HONG KONG

A LATE round of subdued buying lifted prices off their low points for the day in Hong Kong, but most leading stocks closed well down.

The Hang Seng index surrendered a further 28.23 to 1,550.83 after sinking 33 in the first hour's business.

Among leading issues, Hang Seng Bank fell HK\$1 to HK\$143.25, China Light 30 cents to HK\$15.20, Hong Kong Electric 10 cents to HK\$7.30 while Hong Kong Bank closed steady at HK\$7.35.

Swire Pacific dropped 70 cents to HK\$24.40 on apparent concern over the company's Cathay Pacific subsidiary, following the unsuccessful Sino-British talks in Peking last week.

### LONDON

GILTS CAME under heavy selling pressure in London in the wake of sterling's continued slide, although leading securities, particularly international stocks, made fresh headway.

Sellers of gilts remained in control throughout the day. Short-dated stocks returned losses ranging to 1% while falls in the longer maturities extended to 1%.

Most leading issues eased after a strong start, and the FT Ordinary share index edged 0.3 lower to 1,020.5.

Speculative activity centred on Distillers, which closed 13p higher at 405p, after peaking at 420p.

Chief price changes, Page 37; Details, Page 36; Share information service, Page 34-36

### AUSTRALIA

A SHORTAGE of scrip combined with heightened demand for leading mining and industrial issues left shares firmer in Sydney as last week's stronger tone continued.

CSR led the advance, adding 15 cents to \$A3.20, while BHP added 8 cents to \$A7.12 and CSR 12 cents to \$A5.62. Western Mining came under increased attention following its announcement of strong results but firmed only 1 cent to \$A5.85.

Elders, which is preparing a takeover offer for the UK Allied Lyons group, added a further 20 cents to \$A3.35, and the Bell Group added 50 cents to \$A9.0.

### SOUTH AFRICA

GOLD shares closed marginally higher in Johannesburg in response to a firm bullion price, although concern about U.S. sanctions depressed activity.

Mining financial stocks were weaker while industrials traded lower in thin business.



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